

**RESTRICTED- DRAFT**

<b>Title: Temporary Event Notices (TENs): Reducing the burdens of the Licensing Act 2003</b>  <b>IA No:</b> HO  <b>Lead department or agency:</b> Home Office  <b>Other departments or agencies:</b> DCMS	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 16 May 2013		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Primary legislation		
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<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> Awaiting Scrutiny
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£7.2m	£7.2m	-£0.2m	Yes   OUT

**What is the problem under consideration? Why is government intervention necessary?**  
 The Government is committed to removing unnecessary regulation and making the process of licensing as easy as possible for responsible businesses. The policy objective is therefore to increase the number of Temporary Event Notices (TENs) allowed each year. This will support growth and reduce the administrative burdens of the Licensing Act 2003 (“the 2003 Act”) without undermining the licensing objectives.

**What are the policy objectives and the intended effects?**  
 To reduce the unnecessary bureaucratic burdens of the licensing process caused by the current limit on the number of TENs permitted, without undermining the four objectives of the Licensing Act 2003: the prevention of crime and disorder; public safety; the prevention of public nuisance; and the protection of children from harm.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
**Option 1:** To make no changes (do nothing).  
**Option 2:** To increase the current limit for TENs that can be used at any single premises from 12 per year to 15 per year (this is the Government’s preferred option)  
**Option 3:** To increase the current limit for TENs from 12 per year to 18 per year  
 The preferred option is Option 2 because it is judged to best meet the policy objectives while safeguarding licensing objectives.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date: five years after implementation</b>					
Does implementation go beyond minimum EU requirements?			Yes		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

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

Signed by the responsible Minister: \_\_\_\_\_ Date: \_\_\_\_\_

**Summary: Analysis & Evidence**

**Policy Option 2**

Description: Increase the current limit for TENs that can be used at a single premises from 12 to 15 per year

Price Base Year 2012	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 3.6	High: 10.7	Best Estimate: 7.2

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	0.1	<b>0.9</b>
High	Optional	0.2	<b>1.9</b>
Best Estimate	Negligible	0.2	<b>1.4</b>

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

This option would not introduce any new, or compulsory, administrative or financial burdens on business. However businesses or community organisations which make use of the extended allowance will face an annual cost from the TENs fee, estimated at £0.1m-£0.2m per year. This will offset the cost to licensing authorities of processing additional TENs.

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

Licensing authorities may want to communicate this change in policy to key contacts in their area although costs are expected to be negligible and have not been quantified in this Impact Assessment. There is a risk of a small increase in alcohol related crime and health harms due to increased availability/consumption of alcohol.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	0.5	<b>4.5</b>
High	Optional	1.5	<b>12.7</b>
Best Estimate	N/A	0.9	<b>8.2</b>

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

There is expected to be a benefit to business through increased temporary activities resulting from a potential extra 3 TENs per premises per year. This has been estimated to lead to an additional 3,270-6,537 TENs at a benefit of £0.5m-£1.5m per year in increased business profits.

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

There could be a benefit to consumers due to a potential increase in the number of temporary activities taking place (for example, this could include private parties, charity events and festivals).

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
There is a risk of increased objections due to an increase in temporary licensable activities. This could result in increased enforcement activity. Estimates involve an element of uncertainty because of a lack of information about current TEN usage.		

**BUSINESS ASSESSMENT (Option 1)**

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 0	Yes	OUT
Benefits: 0.2		
Net: 0.2		

**Summary: Analysis & Evidence**

**Policy Option 3**

Description: Increase the current limit for TENs that can be used at a single premises from 12 to 18 per year

Price Base Year 2012	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 7.0	High: 21.5	Best Estimate: 14.3

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	0.2	1.9
High	Optional	0.4	3.9
Best Estimate	Negligible	0.3	2.9

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

This option would not introduce any new, or compulsory, administrative or financial burdens on business. However businesses or community organisations which make use of the extended allowance will face an annual cost from the TENs fee, estimated at £0.2m-£0.4m per year. This will offset the cost to licensing authorities of processing additional TENs.

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

Licensing authorities may want to communicate this change in policy to key contacts in their area although costs are expected to be negligible and have not been quantified in this Impact Assessment. There is a risk (greater than for Option 3) of a small increase in alcohol related crime and health harms due to increased availability/consumption of alcohol.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	1.1	9.1
High	Optional	3.0	25.4
Best Estimate	N/A	1.9	16.3

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

There is expected to be a benefit to business through increased temporary activities resulting from a potential extra 6 TENs per premises per year. This has been estimated to lead to an additional 6,537-13,074 TENs at a benefit of £1.1m-£3.0m per year in increased business profits.

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

There could be a benefit to consumers due to a potential increase in the number of temporary activities taking place (for example, this could include private parties, charity events and festivals).

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
There is a risk of increased objections due to an increase in temporary licensable activities. This could result in increased enforcement activity.		
Estimates involve an element of uncertainty because of a lack of information about current TEN usage.		

**BUSINESS ASSESSMENT (Option 2)**

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: N/A	Yes	OUT
Benefits: 0.5		
Net: 0.5		

## Evidence Base (for summary sheets)

### A. Strategic Overview

#### A.1 Background

On 23 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 harms.<sup>1</sup> The Alcohol Strategy also committed to seeking views on giving licensing authorities greater freedom to take decisions that reflect the needs of their local community.

In particular, the Alcohol Strategy put a strong focus on our ongoing work to overhaul the Licensing Act 2003 to develop a more targeted, proportionate and flexible licensing system that, where appropriate, reduces the burden of alcohol licensing; frees up responsible businesses and operators and supports local growth. Building on the Government's Red Tape Challenge announcements in September 2011, it set out a number of ways in which we wish to reduce the burdens on local organisations such as community and arts groups, schools and those selling small amounts of alcohol in low risk environments who are not associated with crime and disorder. The Government's public consultation on measures in the Alcohol Strategy, carried out between 28 November 2012 and 6 February 2013 went further in developing a package of proposals to free up local businesses, including the proposals to increase the annual limits for Temporary Events Notices ("TENs") which is the subject of this impact assessment.

#### *Temporary Event Notices (TENs)*

The system of permitted temporary activities under the 2003 Act enables licensable activities to be carried out without the need for a premises licence or any other authorisation. Licensable activities include the sale of alcohol; or the provision of late night refreshment or regulated entertainment. A person wishing to hold an event at which such activities are proposed to be carried on gives notice of the event through a "temporary event notice" or "TEN". A TEN can be used by an existing premises, which for example, wishes to extend its hours beyond its usual closing time or for one-off events that are being organised on non-licensed premises (for example, a dance or concert organised by a voluntary group in a village hall at which alcohol is sold or other licensable activity takes place including the provision of regulated entertainment or late night refreshment).

The TEN is submitted to the licensing authority on a prescribed (currently seven-page) form on which the TEN user is asked to set out the nature of the licensable activities they will be undertaking (selling alcohol; providing late night refreshment; providing regulated entertainment etc). The current fee of £21 must be received by the licensing authority at the same time.<sup>2</sup> The TEN is also sent to the police and environmental health authority (EHA) both of which have the opportunity to send an objection to the licensing authority. Various limitations apply. For example, the event must not exceed 168 hours; and no more than 500 people can be in attendance at the premises at any one time. Currently, there is a maximum of 12 TENs permitted per year on a single premises, up to a total maximum duration of 21 days. Proposed activities that exceed these limits will require a premises licence or club premises certificate.

As part of the recent ten-week public consultation on measures in the Alcohol Strategy, the Government consulted on two proposals in relation to the TENs regime under the Licensing Act 2003 (2003 Act) in England and Wales. One policy proposal was to introduce greater local discretion for licensing authorities to develop their own lighter-touch schemes, specifically for community events. The second separate policy on TENs that was included in the public consultation included proposals to increase the current limit for TENs that can be used at a single premises from 12 per year to either 15 or 18 per year. These proposals follow the Government's

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

<sup>2</sup> The Government introduced powers in the Police Reform and Social Responsibility Act 2011 for a new locally-set fees licensing regime. These powers are yet to be commenced.

recent substantial changes to the TEN system through the Police Reform and Social Responsibility Act 2011.<sup>3</sup> Responses to the consultation on these proposals have been analysed and have been carefully considered by the Government when deciding how to take forward these proposals.

The proposal set out in the public consultation for a simplified, locally-determined TENs process was not developed in any detail when the impacts were assessed in the pre-consultation impact assessment which was published alongside the consultation on the Home Office website. This is because, by definition, the exact nature of the schemes to be implemented would be a matter for local discretion and flexibility for licensing authorities. Technical discussions considered a number of ways in which such a locally determined process could be delivered. More detail on the options consulted on and a summary of feedback received is outlined below. Having considered feedback received during the consultation, rather than pursuing the original policy on locally determined TENs regimes, the Government has decided to develop a separate proposal to help community groups hold “occasional” one-off events at which they sell alcohol (or carry out other licensable activities) and which they would currently be required to do under a TEN. This alternative proposal for a new authorisation under the 2003 Act, the community and ancillary sellers notice (CAN), is covered in a separate impact assessment. The Government has also decided to pursue the separate option it consulted on to increase the current limit for TENs that can be used in a single premises from 12 per year to 15 or 18 per year. The costs and benefits of these options are set out in this impact assessment.

**Impact of the wider Alcohol Strategy:** The Government consulted on a range of measures as part of the Alcohol Strategy consultation and, as we noted in the pre-consultation stage impact assessments, it was our intention to consider any interdependencies and the impact of different policies on each other. A key interdependency for TENs is that the Government plans to introduce a new authorisation, the Community and Ancillary Notice (“CAN”) under which community organisations will be permitted to hold a series of occasional events at which small amounts of alcohol are sold over the course of a year rather than having to apply for a TEN for each time. It is not known how many community organisations will prefer to use the new proposed CAN system rather than the current TEN system. The CAN will limit the amounts of alcohol that can be sold and will only authorise licensable activities up until 11pm. Therefore it may not be appropriate in all circumstances and in some case a community group may prefer to use a TEN. Community groups are also likely to partially base their decision on the fee charged to obtain a CAN and the likely number of events they expect to hold over the course of a year. For these reasons and because the CAN fee has not yet been determined, it has not been possible to assess whether the numbers of community organisations electing to use the CAN instead of the TEN will impact on the numbers of TEN users overall.

**Final Stage Impact Assessment:** This is a final-stage impact assessment and is based on the best available evidence at the point of publication. This impact assessment has been informed by evidence gathered as part of the formal public consultation on measures in the Alcohol Strategy which ran from 28 November 2012 until 6 February 2013 and wider evidence gathering exercises undertaken, including an online survey of licensing authorities. It builds upon the pre-consultation impact assessment available to view [here](#).

## **A.2 Groups Affected**

### **Licensing authorities**

Licensing authorities will be responsible for considering any objections regarding a TEN and taking enforcement action where necessary. Licensing authorities may be affected by a slight increase in the number of objections they have to consider if the TENs limit is increased.

### **The police and enforcement authorities**

Bodies that administer and enforce the Licensing Act 2003 include (but are not limited to) licensing authorities, the police, environmental health and trading standards. The police and enforcement authorities may be affected due to a potential increase in enforcement activity resulting from a slight increase in the number of TENs.

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<sup>3</sup> For a full list of changes to the TENs system under the PRSR Act 2011 please visit the legislation website: <http://www.legislation.gov.uk/ukpga/2011/13/contents/enacted>

### TEN users

TEN users will be affected. This will include commercial businesses such as alcohol retailers, pubs, clubs, and restaurants as well as personal licence holders including parent-teacher associations; circuses; small arts and music festivals; and markets where alcohol is sold, as well as community organisations such as the Women's Institute; local political parties; residents; and churches and other religious groups.

## **A.3 Consultation**

### **Within Government**

Cabinet Committee clearances were gained for the publication of the recent consultation on measures in the Alcohol Strategy. These clearances include 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.

### **Public Consultation**

This Impact Assessment follows the Government's recent ten-week consultation on measures in the Alcohol Strategy which ran from 28 November 2012 until 6 February 2013. The consultation also sought views on whether individual licensing authorities should be able to determine their own, less burdensome TEN process if they wished for holders of community events. Respondents were asked whether such a process should be introduced and what the impact would be on those organising community events. During the consultation, the following approaches for allowing a locally determined process were also considered:

- relaxation of the criteria to give a TEN by permitting TENs to be submitted up to 24 hours before a temporary event is due to take place (currently five days under the Licensing Act);
- allowing TENs to authorise multiple events;
- licensing authorities accepting simplified TENs via a simple email or via the local authority website; and,
- simplifying the TEN form (currently 7 pages with details on types of activities planned) – something that has already been done for on-line applications..

The consultation also invited views on Option 2 in this impact assessment: extending the limit of the number of TENs that an individual premises can make each year from 12 to 15 (an increase of 25%). It also invited views on Option 3: raising the limit to 18 (an increase of 50%).

Alongside formal responses to the consultation, views were also invited on the proposals at one consultation event and four technical consultation groups. More detailed analysis of the consultation findings can be found in Section 2 of the Government's response to the consultation which is available at [DN: insert weblink].

### ***Consultation findings- allowing a locally determined TEN process for community events***

Of the 746 respondents who answered the consultation question on whether licensing authorities should have the power to allow organisers of community events involving licensable activities to notify them through a locally determined notification process, the majority (387, 52%) agreed that licensing authorities should have this power. 316 respondents (42%) disagreed with this proposal. Overall, the majority of respondents (76%, 385 respondents) thought that a locally determined notification would reduce the burden on organisers of community events. Around a quarter of respondents (24%, 121 respondents) thought the proposal would increase the burden.

Whilst in general those who attended the consultation events and technical groups thought the proposals would reduce costs for businesses and could help community groups, there were concerns that a locally determined system of TENs might create inconsistency in the licensing regime, causing confusion for business and creating difficulties in enforcement.

### ***Consultation findings- an extension of the TENs limits at individual premises***

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When asked if the number of TENs which can be given in respect of individual premises should be increased, the majority (389, 52% of 748 who responded) did not think that the number of TENs should be increased. 301 respondents (40%) thought the number of TENs which can be given should be increased. Those who thought the limit should be increased were asked what limit they would prefer. Of those 345 respondents who indicated which limit for the number of TENs which can be given in respect of individual premises they preferred, the majority (229, 66%) thought the limit should be increased to 18 with 50 respondents (14%) expressing a preference for increasing the limit to 15.

In general, attendees at the consultation events and technical consultation groups thought the proposals would reduce costs for businesses and could help community groups. However, there were serious concerns raised, particularly from licensing authorities, that any increase would create extra administrative burdens.

### B. Rationale

The Government is committed to removing unnecessary regulation and exploring further how it can make the day to day process of licensing as easy as possible for all responsible businesses. Representatives of the hospitality industry and not for profit organisations such as charities and members' clubs have previously requested increasing the TEN limit to 15 or 18. The policy objective is therefore to increase the number of Temporary Event Notices (TENs) allowed each year. This will support growth and reduce the administrative burdens of the Licensing Act 2003 ("the 2003 Act") without undermining the licensing objectives<sup>4</sup>.

An effective and proportionate regulatory framework is essential to public safety and crime prevention and will also ensure that responsible businesses are not undermined by irresponsible businesses. If misused, alcohol is a dangerous substance and the Government takes the view that the overall framework provided by Licensing Act 2003, as amended by the Police Reform and Social Responsibility 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.

### C. Objectives

The policy aim is to reduce the burdens on business by allowing an increase in the limit on the number of TENs which can be used at individual premises per year, without undermining the licensing objectives. Businesses will benefit from being able to extend their usual licensed activities on a more regular basis than current limits allow and with greater flexibility.

### D. Options

Option 1 is to make no changes (do nothing).

Option 2 is to increase the current limit for TENs that can be used at a single premises from 12 per year to 15 per year. This option would not reduce administrative burdens but would provide flexibility and permit additional temporary activities (up to 25% more) for businesses and community organisations.

Option 3 is to increase the current limit for TENs that can be used at a single premises from 12 per year to 18 per year. This option would not reduce administrative burdens but would provide flexibility and permit additional temporary activities (up to 50% more) for businesses and community organisations

Having considered feedback received during the consultation, the Government has decided to proceed with increasing the limit of the number of TENs that an individual premises can make each year from 12 to 15 not to 18. The preferred option is Option 2.

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<sup>4</sup> The four licensing objectives (which all have equal status) are: the prevention of public nuisance; the prevention of crime and disorder; public safety; and the protection of children from harm.

Concerns were raised by local residents during the consultation that an increase in temporary events could increase public nuisance, particularly noise issues. Increasing the limit to 15 (a 25% increase) rather than 18 (a 50% increase) will enable businesses to benefit by being able to extend their usual licensed activities on a more regular basis than current limits allow, whilst ensuring that public nuisance issues and administrative burdens on licensing authorities who may have to consider more counter notices as a result of this increase, do not increase significantly. Other existing safeguards and restrictions in the TENs regime will still apply. These include powers licensing authorities have to impose licence conditions on TENs. The legislation also only permits TENs to be used for an event period of up to 7 days (with at least 24 hours between each event period and that TENs may only be used to permit licensable activities for a maximum of 21 days per year. This will deter premises from using the TENs system to circumvent any late night levy arrangements that a licensing authority has imposed.

## **E. Appraisal (Costs and Benefits)**

### **GENERAL ASSUMPTIONS & DATA**

The following estimates are based on a number of assumptions and the best available evidence. There are many unknown variables and it is therefore difficult to predict the impacts of the options with certainty. This is a consequence of the Government's aim to empower local authorities to determine their own outcomes. Option 2 in particular would involve a substantial increase in local discretion.

In the modelling of Options 2 and 3, it has been assumed that there are no interdependencies with any of the other Alcohol policies, including CANs. This is because it has not been possible to assess whether the numbers of community organisations electing to use the CAN instead of the TEN will impact on the numbers of TEN users overall. There are a number of factors that are likely to impact on whether community groups decide to use the CAN including the number of events they intend to hold in a year, the potential restrictions on events under the CAN (including on the amount of alcohol sold and the time at which events can take place) and the fee charged to obtain a CAN which has yet to be determined.

### **OPTION 2 – Increase the current limit for TENs that can be used at single premises from 12 to 15 per year**

This option would provide businesses and community organisations with the opportunity to increase the number of temporary event notices they can use at their premises from 12 per year to 15 per year.

### **COSTS**

#### **Public Sector Costs**

##### *Transition costs*

Licensing authorities may want to communicate these policies to key contacts in their area in addition to any national communication via the GOV.UK website. As this forms part of a Licensing Authority's core business (and therefore would typically be covered by the fees), these costs have are expected to be negligible. Licensing authorities have already experienced wide-sweeping changes to TENs as part of legislative changes introduced by the Police and Social Responsibility Act 2011; the Home Office publicised these via workshops and its website and it is envisaged it would do so with the changes to TENs limits proposed in this measure; previous experience of media coverage supports this. It is therefore assumed that the majority of communication costs would be borne by the Home Office rather than licensing authorities.

*Annual Costs*

A relaxation in the number of TENs permitted per premises, per year, could result in an increase in the number of TENs being used. This would increase the administrative burden on licensing authorities who would be responsible for administering the TENs given to them. However, it is expected that the TEN fee will recover the administration costs of any TEN (as is currently the case). There will be a cost to businesses as a result of the fee for a TEN. Each additional TEN would involve the same costs of application as before – £21 for the fee and an estimated 1 hour<sup>5</sup> to fill in the form. Based on an average hourly cost of £13.30<sup>6</sup> for a manager of a licensed premises it is estimated that the total cost to business for an additional TEN is £34.

Following discussions with licensing authorities it is estimated that it is typically licensed premises, rather than unlicensed premises, that use the maximum number of TENs per year. From evidence supplied by a small number of licensing authorities, it is estimated that between **0.5-1%** of premises licence holders use the maximum number of TENs per year (the evidence also suggests that very few premises that do not possess licences or certificates meet the current limit of 12). This is equal to **1,090-2,179** licence holders<sup>7</sup>. We assume that these licence holders will use the new maximum of an additional 3 TENs per year. Therefore, there is estimated to be an additional **3,270-6,537** TENs per year. Total fee income (transferred from businesses to licensing authorities) is therefore estimated at **£0.1m to £0.2m** per year.

According to the latest licensing statistics<sup>8</sup> of the total 125,217 valid TENs given to licensing authorities in 2011/12, only 206 counter notices were given. This figure for counter notices given equates to less than 0.2 per cent of all TENs received within the period. Based on the estimated additional TENs we would expect if this proposal were implemented, and the assumption that 0.2% of all TENs result in a counter notice being given, we would expect a minimal increase of between 7 and 13 counter additional counter notices being given each year. This suggests the potential increased burden on licensing authorities in considering additional counter notices would be extremely minimal.

*Increased crime and health costs:*

There is a risk that Option 2 may lead to a small increase in the overall consumption of alcohol as it increases opportunities to sell it. Alcohol consumption is associated with crime, particularly violent crime, and ill health<sup>9</sup>. There is therefore a risk that any increase in alcohol consumption brought about through Option 2 could lead to an increase in alcohol-related crime and health harms. In seeking to assess this risk, we have considered different modelling options, including the possible use of the Sheffield School of Health and Related Research model ("SchARR model"), which has been developed specifically to explore the impact of alcohol control policies, such as pricing, on alcohol consumption and harms. However, given the lack of evidence on the typical consumption associated with TENS and hence the consumption effect of this proposal, it is not possible to quantify the potential harms associated with the proposal<sup>10</sup>.

The nature of temporary events and this measure is such that we believe it would not result in high levels of harmful consumption. There is no evidence directly linking TENs to alcohol related harms. Licensing Authorities (and the police and environmental health who consider TENs and have the power of objection) would be required by law in any event to have regard to promoting the four

<sup>5</sup> The one hour estimate comes from DCMS 'Proposal to introduce a new process for Electronic Applications', 2009 <http://www.lalibrary.bis.gov.uk/ImpactAssessment/?IAID=bfcce47f9673483eb59e33fec2a7cefe>

<sup>6</sup> 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](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/main_tables))

<sup>7</sup> There were 217,900 premises licences and club premises certificates in force as at 31 March 2012, Alcohol and Late Night Refreshment Licensing: Statistical News Release, October 2012, <https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-statistical-news-release>

<sup>8</sup> Alcohol and Late Night Refreshment Licensing England and Wales 2011/2012 <https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-england-and-wales-2011-12-tables>

<sup>9</sup> See impact assessments on minimum unit pricing and ban on multi-buy promotions for a summary of the evidence

<sup>10</sup> The SchARR model estimates, at a very detailed level, the impacts of the policy concerned on the *consumption* levels for different types of alcohol consumers, and then goes on to use these figures to estimate the eventual impact on factors such as crime and health. Because of the level of detail in which the analysis is done, it would not be possible to input a consumption effect directly, even if such an estimate existed.

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statutory licensing objectives (including preventing crime and disorder) in considering whether to block TENs and so prevent events occurring. Furthermore the Government intends to retain the 21 day safeguard, whereby the maximum total duration of events authorised by TENs in relation to an individual premises is 21 days in a calendar year<sup>11</sup>. Hence the proposal is not expected to result in high levels of harmful consumption and associated health and crime harms

### BENEFITS

There could be a benefit to consumers due to a potential increase in the number of temporary activities taking place (for example, this could include private parties, charity events and festivals).

There will be benefit to business and community organisations through increased temporary activities resulting from a potential extra 3 TENs per year.

For licensed premises, a TEN will often be used to extend hours for a special event and is therefore likely to have a small effect on annual profits. We have assumed this is equal to half a day's profit. This could be argued to be a conservative estimate as a TEN could be used for a special event which could be expected to earn greater than average profits. However, it would typically only be a marginal extension of hours; therefore an assumption of half a day's profit seems reasonable. Profits, in terms of Gross Value Added (GVA), are estimated to equal 47%<sup>12</sup> of turnover for the alcohol industry. The British Beer and Pub Association (BBPA) have estimated that a 'typical established pub' could have a turnover ranging from £250,000 to £350,000 per year. Whilst this is not representative of the turnover for licence holders in the off-trade, it is expected that a TEN for a licensed premises, such as for a temporary extension of hours, is predominantly used in the on-trade. Estimated profits are therefore £117,500-£164,500 per year (47% of £250,000-£350,000). Half a day's profit would therefore result in an average gain of **£161-£225** (the above divided by 730 half days per year). Total benefit to businesses (not including fee costs) is estimated to be **£0.5-£1.5m**, with a best estimate of **£0.9m**.

### NET IMPACT

As explained in the Costs section, there is estimated to be an additional **3,270-6,537** TENs per year. The resulting net impact from these additional TENs is estimated to be between **£0.4m-£1.2m per annum**. The best estimate is £0.8m. **The net present value (NPV) over 10 years is estimated to be £7.2m**. We do not know how many unlicensed premises (including community events, charities and circuses etc.) would increase their TEN limit. Considering the variation in types of unlicensed premises this is likely to depend on a range of factors but this would further increase the potential benefit of this option.

### One-in-two-out (OITO)

For One-in-two-out purposes, the **direct** impact on business profit was calculated using Gross Operating Surplus (GOS) instead of Gross Value Added (GVA). Gross Operating Surplus is equal to GVA excluding compensation of employees. This is a more appropriate measure than GVA because OITO should only reflect the direct economic cost to business of the regulation, not the impact on employees or the profit made from any alternative activity. GOS is estimated at 20% of turnover in the off trade.

**INs:** This option would not introduce any new or compulsory administrative or financial burdens on business.

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<sup>11</sup> This means that that a pub with a usual 11 pm closing time as part of its premises licence can, assuming the police and environmental health authority do not object, use TENs to open late at night and into the early hours over the course of Friday night and Saturday morning for up to 7 week-ends per year (or up to 10 Sat eve/Sun morning events per year).

<sup>12</sup>ONS Annual Business Survey 2011: Section I: Accommodation : Food and Beverage Service Activities.  
<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-276587>

## RESTRICTED- DRAFT

**OUTS:** The direct benefit of this option is the profit gain to business affected. Option 2 would generate an out of around £0.1m-£0.4m (2009 prices). The best estimate being £0.2m (in 2009 prices on an EANCB basis).

**NET EFFECT:** Option 2 is a NET OUT as it reduces the regulation on business and allows additional profitable activities to take place at an estimated benefit of around £0.2m (in 2009 prices on an EANCB basis).

### **OPTION 3 – Increase the current limit for TENs that can be used at single premises from 12 to 18 per year**

This option would provide businesses and community organisations with the opportunity to increase the number of temporary event notices they can use at their premises from 12 per year to 18 per year.

## **COSTS**

### **Public Sector Costs**

#### *Familiarisation and Transition costs*

See above. These costs would be the same as for option 2.

#### *Annual Costs*

As for option 2 with the following exceptions.

From evidence supplied by a small number of licensing authorities, it is estimated that between **0.5-1%** of premises licence holders use the maximum number of TENs per year (the evidence also suggests that very few premises that do not possess licences or certificates meet the current limit of 12). This is equal to **1,090-2,179** licence holders<sup>13</sup>. We assume that these licence holders will use the new maximum of an additional 6 TENs per year. Therefore, there is estimated to be an additional **6,537-13,074** TENs per year. Total fee income (transferred from businesses to licensing authorities) is therefore estimated at **£0.2m to £0.4m** per year.

We would expect a minimal increase of between 13 and 26 counter additional counter notices being given each year. This suggests the potential increased burden on licensing authorities in considering additional counter notices would be extremely minimal.

#### *Crime and health costs*

There is a risk that Option 3 may lead to a small increase in the overall consumption of alcohol as it increases opportunities to sell it. Alcohol consumption is associated with crime, particularly violent crime, and ill health<sup>14</sup>. There is therefore a risk that any increase in alcohol consumption brought about through Option 3 could lead to an increase in alcohol-related crime and health harms. This risk is potentially higher than for Option 2 as more consumption is expected. However, given the lack of evidence on the typical consumption associated with TENs and hence the consumption effect of this proposal, it is not possible to quantify the potential harms associated with the proposal.

## **BENEFITS**

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<sup>13</sup> There were 217,900 premises licences and club premises certificates in force as at 31 March 2012, Alcohol and Late Night Refreshment Licensing: Statistical News Release, 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>

<sup>14</sup> See impact assessments on minimum unit pricing and ban on multi-buy promotions for a summary of the evidence

There will be benefit to business and community organisations through increased temporary activities resulting from a potential extra 6 TENs per year.

As before, net profit per additional TEN is estimated to be £127-£191. As before, if an additional 6 TENs were permitted it is estimated that there would be an additional **6,537-13,074** TENs per year.<sup>15</sup> Again, as explained above, half a day's profit would result in an average gain of **£161-£225**. Total benefit to businesses (not including fee costs) is therefore estimated to be **£1.1-£3.0m**, with a best estimate of **£1.9m**.

## **NET IMPACT**

The resulting net impact from these additional TENs is estimated to be between **£0.8m-£2.5m per annum**. The best estimate is **£1.7m**. **The net present value (NPV) over 10 years is estimated to be £14.3m**. We do not know how many unlicensed premises (including community events, charities and circuses etc.) would increase their TEN limit. Considering the variation in types of unlicensed premises this is likely to depend on a range of factors but this would further increase the potential benefit of this option.

### **One-in-two-out (OITO)**

For One-in-two-out purposes, the **direct** impact on business profit was calculated using Gross Operating Surplus (GOS) instead of Gross Value Added (GVA). Gross Operating Surplus is equal to GVA excluding compensation of employees. This is a more appropriate measure than GVA because OITO should only reflect the direct economic cost to business of the regulation, not the impact on employees or the profit made from any alternative activity. GOS is estimated at 20% of turnover in the off trade.

**INs:** This option would not introduce any new or compulsory administrative or financial burdens on business.

**OUTs:** The direct benefit of this option is the profit gain to business affected. Option 3 would generate an out of around £0.2m-£0.8m (2009 prices). The best estimate being £0.5m (in 2009 prices on an EANCB basis).

**NET EFFECT:** Option 3 is a NET OUT as it reduces the regulation on business and allows additional profitable activities to take place at an estimated benefit of around £0.5m (in 2009 prices on an EANCB basis).

## **F. Risks**

There is a risk of increased objections due to an increased number of temporary licensable activities. This could result in an increase in enforcement activity. However, we would expect any increase in enforcement activity to be marginal as the recent changes to TENs (under the Police Reform and Social Responsibility Act) have tightened the TEN process to reduce loopholes. Feedback from licensing authorities is that the powers to impose conditions on TENs for existing premises has helped mitigate such risks.

There is a risk that the modelling may under or over estimate the number of additional TENS as a result of the policy. Likewise there is the potential for error in the assumption of half a days profit per additional TEN. This could be a conservative estimate as a TEN could be used for a special event which could be expected to earn greater than average profits. However, it would typically only be a marginal extension of hours; therefore, half a day's profit is assumed to be a reasonable estimate.

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<sup>15</sup> Figures to 3.s.f

## G. Enforcement

Enforcement will be the responsibility of licensing authorities, Environmental Health, and the police. These enforcement authorities are existing bodies that are already responsible for enforcing the licensing conditions of the Licensing Act 2003.

## H. Summary and Recommendations

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

<b>Option</b>	<b>Costs</b>	<b>Benefits</b>
<b>2</b>	<p>Businesses or community organisations which make use of the extended allowance will face an annual cost from the TENs fee, estimated at £0.1m-£0.2m per year.</p> <p>There could be an administrative burden to licensing authorities for processing an increase in the number of TENs. However, the TEN fee is expected to cover any administration costs.</p> <p>Potential increase in alcohol-related crime and health harms from increased consumption of alcohol. (not quantified)</p>	<p>There is expected to be a benefit to business through increased profit from temporary activities resulting from a potential extra 3 TENs per year.</p> <p>£8.2m (PV over 10 years)</p>
<b>3</b>	<p>Businesses or community organisations which make use of the extended allowance will face an annual cost from the TENs fee, estimated at £0.2m-£0.4m per year.</p> <p>There could be an administrative burden to licensing authorities, but expected to be covered by TENs fee.</p> <p>Greater risk of increase in alcohol-related crime and health harms (compared to Option 2) due to potentially higher consumption. (not quantified)</p>	<p>There is expected to be a benefit to business through increased profit from temporary activities resulting from a potential extra 6 TENs per year.</p> <p>£16.3m (PV over 10 years)</p>

**Option 2 is the government’s preferred option.** This option reduces the regulatory burden on businesses who would otherwise apply for more than 12 TENs per year (the current limit). A 25% increase in this limit is judged to strike an appropriate balance between reducing regulation and safeguarding the licensing objectives. The appraisal suggests that Option 3 has the higher net present value because businesses would be able to benefit more. However this option involves a 50% increase in the current TENs limit and may therefore involve greater risks to the safeguarding of the licensing objectives than Option 2.

## I. Implementation

The Government plans to implement these changes via primary legislation. At the time of writing, this is likely to be the Cabinet Office’s 4<sup>th</sup> session deregulation Bill (TBC)

## J. Monitoring and Evaluation

## **RESTRICTED- DRAFT**

As part of post-implementation scrutiny, we expect this policy to be reviewed five years after implementation.

### **K. Feedback**

In order to accurately assess the effectiveness of option 2, the Government conducted a public consultation exercise to seek views from those who will be most affected by the policy. This included the alcohol industry and its representatives, the police, licensing authorities, responsible authorities and resident groups and other Government departments. Feedback received during the recent consultation has been used to inform this impact assessment.

Ongoing feedback will be sought from those organisations affected and Government officials during the legislative process and prior to implementing this measure to ensure adequate guidance and support is provided on any changes to the licensing regime.