

Title: Proposed changes to the Poisons Act 1972, Poisons Rules 1982, Poisons List 1982 and associated amendments IA No: HO Lead department or agency: HOME OFFICE Other departments or agencies: MINISTRY OF JUSTICE	Impact Assessment (IA)		
	Date: September 2013		
	Stage: CONSULTATION		
	Source of intervention:		
	Type of measure: Secondary legislation		
Contact for enquiries:			

Summary: Intervention and Options	RPC Opinion:
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Cost of Preferred (or more likely) Option			
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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?
£0.74m	£0.74m	-£0.08m	YES OUT

What is the problem under consideration? Why is government intervention necessary?
The current regulations do not effectively prevent the abuse of poisons. The poisons register only keeps a record of purchases and does not prevent inappropriate sales. Current controls focus on the retailer rather than the end user who has the potential to misuse the poisons. We have evidence that we can make improvements to the regulatory regime.

What are the policy objectives and the intended effects?

The policy objectives are to:

- Ensure poisons controls are effective in reducing the risk of misuse whilst still enabling legitimate sales.
- Minimise the burden on business.
- Minimise the administrative burdens by implementing at the same time and in the same way as the Marketing and Use of Explosives Precursors Regulation.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

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

Option 2 is to make a requirement that home users obtain a licence in advance of a purchase of a Part 1 poison rather than sign a poisons register. Part 1 poisons would still only be sold by registered pharmacists. Retailers would no longer need to apply for a licence to sell Part 2 poisons.

Both Part 1 and 2 poisons would be subject to mandatory suspicious transaction, theft and significant loss reporting for home user and business to business sales. There would also be a requirement to label affected Part 1 products clearly to indicate that the acquisition, possession or use of the product is restricted.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 2019

Does implementation go beyond minimum EU requirements?			No		
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: N/A	Non-traded: 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: 24 SEP 2013

Summary: Analysis & Evidence

Policy Option 2

Description: Make a requirement that home users obtain a licence in advance of a purchase of a Part 1 poison rather than sign a poisons register. Remove the requirement for retailers to apply for a licence to sell Part 2 poisons. Both Part 1 and 2 poisons would be subject to mandatory suspicious transaction, theft and significant loss reporting for home user and business to business sales.

Price Base Year: 2013/14	PV Base Year: 2013/14	Time Period Years: 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -1.8	High: 3.2	Best Estimate: 0.7

COSTS	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.1	1	0.3	3.4
High	2.6		0.7	8.4
Best Estimate	1.8		0.5	5.9

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

Transition costs to business in year one from training and awareness raising of staff members (£1.1 to £2.6 million). Ongoing cost to business from refresher training (£0.3 to £0.8 million).

For the public sector, the cost of the licensing system is assumed to be negligible due to the low home usage of Part 1 poisons.

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

There are costs to business that are assumed to be negligible, such as labelling affected products and the loss of profit from the deterrence effect of a licence, but the consultation will be used to seek more evidence on this. Potential costs to the public sector from additional staffing requirements of the anti-terrorism hotline, are assumed to be negligible. The cost to individuals from either purchasing a licence or finding alternatives to Part 1 poisons has not been estimated. There may be potential future enforcement costs to the Criminal Justice System due to non-compliance and appeals.

BENEFITS	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		1		
High				
Best Estimate	N/A		0.8	£0.8 million

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

Removing the licensing requirement for Part 2 retailers will save business time and the annual cost of the renewal fee (£0.8 million). The cost to trading standard offices of administering this fee is assumed to be based on full cost recovery, therefore not included to avoid double counting.

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

Suspicious transaction reporting could lead to additional intelligence and reports to the police, allowing them to investigate and prosecute those intending on causing harm before they do so. Fatalities involving chemicals require a specialist response, so if such incidents can be prevented the cost of providing this response is removed. Those with a genuine need to acquire and use Part 1 and 2 poisons will still be able to do so. However, the general public will be less likely to suffer harm from poisons as a result of greater control over those able to purchase them.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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Since most of the costs and benefits fall on business, the main sensitivity is around the number of businesses affected. It has not been possible to accurately estimate the number of businesses currently selling Part 1 and 2 poisons. The consultation will seek to strengthen these estimates. There is also a risk that businesses will not comply with the regulations and that the threat of misuse of these poisons has not been significantly reduced, or instead displaced.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.6	Benefits: 0.7	Net: 0.1	YES	OUT

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

This consultation stage impact assessment assesses the amendment of control measures for sales of non-medicinal poisons.

Poisons Act, Rules and List

The Poisons Act 1972, which applies to Great Britain only, was designed to restrict the availability of poisons to the public to prevent their misuse, inadvertently or by criminal design, while at the same time making the poisons available to those with a legitimate need by regulating their retail sale. The Poisons List sets out those poisons under control and the Poisons Rules relax, vary and extend the controls laid down by the Act.

The Poisons List is split into Part 1 and Part 2 (Annex A). Part 1 poisons, which would be considered the most dangerous, may only be sold by a person lawfully conducting a retail pharmacy business. They must also keep a Poisons register that records details about the transaction and purchaser. Part 2 poisons, which would be considered less dangerous, can only be sold by a person conducting a retail pharmacy business or by a person whose name is entered on to a local authority's list granting them approval to sell poisons.

The Home Office and the Poisons Board, which is a statutory consultee, have reviewed the existing regime against its effectiveness as a public protection measure from terrorism or criminal use. This review is part of the retail theme of the Red Tape Challenge (RTC), which aims to remove unnecessary burdens from business. The primary burden of the current Poisons legislation is financial as sellers of poisons need to purchase a licence from their local authority which is responsible for enforcing the legislation.

The review identified the following weaknesses in the existing regime:

1. The poisons register in its current form does not prevent someone purchasing poisons for misuse.
2. Licensing retailers does not add significant protection against misuse.
3. Business-to-business transactions are not monitored.

A.2 Groups Affected

Consumers (home users)

Home users will be affected. There are legitimate household or hobby uses for some of the substances affected by the policy amendments. Depending on the option, consumers will need to either apply for a licence or find an alternative product and demonstrate a legitimate purpose when buying the controlled compounds.

Public retailers

Public retailers refers to companies selling chemicals for household or hobby uses. This would typically include pharmacies, home improvement stores, garden centres and pest control supply companies. Depending on the option, public retailers will need to check licences, identify and report suspicions or cease trading certain products.

Business users

Business users will be affected by the need to demonstrate an ongoing business use for the chemicals at point of purchase, but the impact will be significantly less than that for home users.

Production supply chain: producers, manufacturers, transporters and wholesalers

Producers, manufacturers, transporters and wholesalers in the UK are expected to be affected by the need to label products within scope of the legislation and by changes in demand for their products. They will also need to report any suspicious transactions, thefts and significant losses.

General public

The general public will be expected to be safer because of the reduced chance of misuse of toxic chemicals.

Central Government

The Home Office and enforcement authorities will administer the licensing scheme and reporting hotline, ensure legal compliance and take action against retailers found to be supplying poisons in breach of the regulation. There may also be a downstream impact on the Criminal Justice System (CJS) and the Ministry of Justice (MoJ).

Local Government

Local authorities may no longer need to administer licences and inspect retailers of Part 2 poisons.

A.3 Consultation

Within Government

The policy has previously been subject to scrutiny through the statutory Poisons Board which includes representatives from all relevant Government Departments and has been reported into the Government Red Tape Challenge Star Chamber. It has also been reported into the cross-government official's Hazardous Sites and Substances Board.

Public Consultation

Analysts and policy colleagues from the Home Office have developed this impact assessment to support the public consultation being conducted by the government.

Government officials have held discussions with chemical industry, business and retail representatives. To assist with refining this impact assessment, officials plan to seek written comments and hold meetings with sections of those affected.

B. Rationale

The current regulations do not effectively prevent the abuse of poisons. The poisons register only keeps a record of purchases and does not prevent inappropriate sales. Current controls focus on the retailer rather than the home user who has the potential to misuse the poisons. Business-to-business transactions are currently exempt from the regulation.

Adopting option 2 (below) will mean retail controls of poisons would be the same as for similar chemicals under the new Marketing and Use of Explosives Precursors Regulation (2014). This would simplify regimes to control the sale of dangerous chemicals and reduce burdens on those affected by combining consultations, allowing joint licences and

introduce the same requirements for suspicious transaction, theft and significant loss reporting.

C. Objectives

The policy objectives are to:

- Ensure poisons controls are effective in reducing the risk of misuse whilst still enabling legitimate sales.
- Minimise the impact on business.
- Minimise the administrative burdens by implementing at the same time and in the same way as the Marketing and Use of Explosives Precursors Regulation.

D. Options

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

Option 2 is to make a requirement that home users obtain a licence in advance of a purchase of a Part 1 poison rather than sign a poisons register. Part 1 poisons would still only be sold by registered pharmacists. Business users would not need to apply for a licence but need to be prepared to demonstrate an ongoing business use at point of sale. Retailers would no longer need to apply for a licence to sell Part 2 poisons. Both Part 1 and 2 poisons, if listed as an ingredient, would be subject to mandatory suspicious transaction, theft and significant loss reporting for home user and business-to-business sales.

Requiring an individual home user to apply for a licence offers greater protection as we can perform checks into their suitability and verify their need for the poison. This option also places the burden on the home user and less so on the retailer. It also mirrors the controls within the Marketing and Use of Explosives Precursors Regulation, so minimises burdens as most of the affected groups are the same in both regimes. This means they have one system to follow, and we can offer multiple use licences that cover both poisons as well as explosives precursors, if necessary.

Option 2 would also include a requirement for labelling affected Part 1 products clearly to indicate that the acquisition, possession or use of the product by members of the general public is restricted.

Option 3 is to move all Part 2 poisons above the current concentration threshold to Part 1 so they may only be sold by a registered pharmacist (as recommended by the Poisons Board in order to simplify the current regulation). A member of the general public wishing to purchase a Part 1 poison would need to enter their personal details into the register at the point of sale.

Option 3 has not been subject to further appraisal at this time as, although it meets the important objective of simplifying the regulation, there are poisons that should be controlled by regulation, but not to the same extent as the most dangerous and niche use poisons. Treating all poisons in the same way is viewed to be disproportionate to the risk that Part 2 poisons pose to society but we will seek evidence on this option through consultation.

Option 3 would not resolve the problem of the general public being able to purchase high risk Part 1 poisons with the potential for misuse as they would not require a licence and

this could lead to a potentially significant loss of profit for Part 2 retailers who can no longer sell these poisons. Pharmacists would effectively hold a monopoly over the sale of these poisons to the general public, potentially leading to higher costs for consumers in addition to the inconvenience cost of the poisons being less readily available.

E. Appraisal (Costs and Benefits)

GENERAL ASSUMPTIONS & DATA

The amendment of the Poisons Act [1972] will be implemented at the same time as the Marketing and Use of Explosives Precursors Regulation (see <https://www.gov.uk/government/consultations/precursors-and-poisons-consultations>). A number of businesses will be selling both explosive precursors and poisons and therefore certain requirements, and the subsequent costs, will already be incurred by the EU regulations. For example, training staff about what a suspicious transaction looks like will only need to be done once, not twice for each policy.

For our base case we assume that the EU regulation on explosive precursors is already in place, to avoid double counting costs. Most businesses affected by the proposed poisons amendments would already be affected by the Marketing and Use of Explosives Precursors Regulation. The only identified exception to this is pest control suppliers but most trade would be business to business.

OPTION 2 – Licence

The majority of the costs are based on assumptions about the amount of time that might be reasonably taken to perform each activity. Where possible, we have consulted with key stakeholders in advance to seek further information. We aim to improve the evidence base behind these assumptions through the consultation.

We do not currently have accurate estimates of the number of businesses selling Part 1 and 2 poisons. We aim to gather further evidence through the consultation.

The number of wholesalers and producers that sell Part 1 and 2 poisons has been estimated using ONS data on the number and size of UK local units, sorted by Standard Industrial Classification (SIC) codes. The SIC codes encompass a number of different types of business and assumptions were made as to what proportion of each SIC code would sell Part 1/2 poisons. See Annex B for further details.

Table 1, Substances, uses and number of sellers (2012).

Substance	Key uses	Number of retailers	Number of wholesalers	Number of producers
Part 1 poisons	<ul style="list-style-type: none"> Mostly agricultural or pest control. Niche metal plating/extraction. 	15-20 ¹	500-2,490	330-830
Part 2 poisons	<ul style="list-style-type: none"> Household cleaning products. Pest control. 	19,700 ²		

Notes: 1 From initial consultation with industry experts, a Superintendent Pharmacist and the General Pharmaceutical Council, less than 20 pharmacies sell Part 1 poisons to the general public.
2 See estimate below.

Option 2 will remove the requirement for retailers to apply for a licence to sell Part 2 poisons. There is no national record of the number of retailers currently holding a licence to sell Part 2 poisons. We aim to improve the estimated number of licences through the consultation.

The Trading Standards Institute estimate that small authorities would have 30 to 50 registrations for retail licences to sell Part 2 poisons and larger county councils would have about 150 to 200 registrations in place.¹ As we do not have better estimates, we assume that there are an average of 100 registrations in each local authority. There are 197 Trading Standards Offices across Great Britain. Using these figures, the total number of licences in Great Britain is estimated to be $100 \times 197 = \mathbf{19,700}$.

Registered pharmacies can also sell Part 2 poisons. However, we are not aware of a significant number of pharmacies that do sell Part 2 poisons. We assume that the 19,700 figure could be an overestimate therefore would include the pharmacies selling Part 2 poisons.

COSTS

Costs (1): Costs to business

Transition costs

Awareness raising and training

Pharmacies that sell Part 1 poisons will need to be made aware of the requirement to check licences and keep a record. This training should take no longer than half an hour per member of staff. This may be an overestimate as the majority of the pharmacies will already be receiving training as a result of the EU regulations on explosive precursors. Assuming that there are 20 pharmacies in Great Britain that sell Part 1 poisons, and that they have 6 to 12 staff each. The costs estimate is between **£1,000 to £3,000**.²

The *Know Your Customer* (KYC) campaign, run by NaCTSO (National Counter-Terrorism Security Office) has been running from the 1990s and is reported to have informed 30,000 chemists, opticians, dentists and pharmacies regarding voluntary measures around suspicious transaction reporting. It is therefore reasonable to assume that the pharmacies selling poisons are already aware of how to look out for a suspicious transaction and significant loss reporting.

All producers and wholesalers and other pharmacies that sell poisons are also expected to have already received some training on suspicious transactions and significant loss reporting from their business associations. In addition, a significant number would also be selling explosive precursors therefore would receive training already. The cost of awareness training is therefore assumed to require 15 minutes of each staff members' time at an estimated cost of **£20,000 to £160,000 to producers and wholesalers in year 1**. (See Table C.1 in Annex C)

Non-medical retailers of Part 2 poisons will bear the most significant cost in training. We assume that there are 19,700 retailers, based on the estimates described in the 'General assumptions' section above, and that it will take 1 hour per retailer to train an average of 6

¹ Trading Standards Institute, Briefing the Poisons Board, October 2012

² No. staff estimated using average employment size band of SIC code 4773, "Dispensing chemist in specialised stores". Hourly wage of pharmacist taken from the Annual Survey of Hourly Earnings, 2012, plus 30 per cent on-costs and updated to 2013/14 prices using GDP deflators.

to 13 staff. **This is estimated to cost Part 2 retailers £1.1 to £2.4 million in year 1.** (See Table C.1 in Annex C).

The total transitional cost to business for training is therefore £1.1 to £2.6 million in the first year.

Business will pay for their own training costs, however, the Home Office have bid for EU funding to develop a chemical security awareness e-learning course for retailers that if successful, would be made available to retailers to use free of charge in 2015.

Verifying controlled products

All businesses should be aware of the poisons they sell due to the current regulations. Therefore there is no expected cost from verifying which products are affected.

Labelling controlled products

All businesses will need to label Part 1 poisons above the concentration thresholds. It is not known how many products are affected. Based on information from the Chemical Business Association, as long as manufacturers and formulators are made aware of the requirement in good time before the regulation comes into force, then the costs of adding a single line of text to a label would be negligible. If labels need to be affixed retrospectively because we have not raised awareness in good time (as manufacturers print labels and cans in bulk in advance of filling them) the cost to business would be estimated at 1p per label.

Awareness of the forthcoming regulation will be raised by using a layered information dissemination method e.g. through business and hobby associations, news articles, stakeholder workshops and via head offices.

Ongoing costs

Refresher training

Businesses will need to ensure that they refresh the training each year for both current and new staff. For the 15 to 20 pharmacies selling Part 1 poisons, we assume this will take half an hour each year. As a significant number of businesses will receive refresher training from selling explosive precursors, it is estimated that there will be ongoing annual refresher training of 15 minutes per staff member for all other businesses. This is estimated to cost **£0.3 to £0.8 million per year from year 2 onwards.** (See Table C.2 in Annex C). It is important to note that this is an opportunity cost as the time could be spent on other activities, but not necessarily a financial cost to business.

Compliance costs

Currently, Part 1 poisons can only be sold to the general public by registered pharmacists who have to keep a register. Option 2 will require the general public to hold a licence, rather than sign a poisons register. Registered pharmacists will therefore have to check these licences and keep a record of each transaction. It is assumed that this will take no longer than the time it currently takes to sign the poisons register, therefore there is no increase in cost.

Reporting suspicious transactions and significant losses/thefts

All businesses selling Part 1 or Part 2 poisons as a listed ingredient will be required to report suspicious transactions and significant losses. It is not possible to estimate exactly how many suspicious transactions or losses will occur.

The anti-terrorism hotline reported that in recent months there was an average of 4 calls per month that made reference to chemicals. Following an internal review of the *Know Your Customer* campaign, evidence suggests that a number of businesses contact the police directly, instead of the anti-terrorism hotline. Assuming that at least as many calls are made to police as to the hotline, and that these calls are from businesses that received *Know Your Customer* training reporting suspicious transactions, an estimated 1 call per 312 businesses would be made per year.³

Whilst the estimated number of calls currently made to the Anti-Terrorism hotline are not necessarily all about suspicious transactions, therefore likely to be an overestimate, it is expected that due to the awareness raising campaign that will follow the implementation of this policy, there will be an initial spike in calls.

The cost of suspicious transaction reporting to business is therefore expected to be **negligible**.

Loss of sales due to deterrent effect of licence

The cost of the licence may deter the general public from purchasing Part 1 poisons as there are alternatives to the Part 1 poisons that may be sufficient for their purpose. This may therefore lead to a loss of sales for Part 1 poisons. However, there is limited evidence to suggest that pharmacies sell a significant amount of Part 1 poisons to the general public in the first place. We therefore do not expect the loss of sales to be significant.

Currently we do not have an estimate of the value of sales but aim to gather further evidence through the consultation.

Based on the current limited evidence, home users of Part 1 poisons are assumed to seek out alternatives instead of applying for a licence. There would therefore be a transfer of profit between businesses to the alternative product, but potentially a loss of profit if the profit margins are larger for Part 1 poisons compared to the alternative.

In addition, as licences will be offered for multiple purchases over a maximum period of three years and could be issued for purchases of multiple substances, the impact could be further mitigated as it is expected that some users will purchase both poisons and explosive precursors. Information will be sought on this in the consultation.

As an illustration, research found that one of the pharmacies that sell Part 1 poisons only sells one of the poisons and only to approximately 60 customers per year. Another did not sell to the general public at all.

The total cost to business is therefore £1.1 to £2.6 million in year one, and £0.3 to £0.8 million from year 2 onwards.

Costs (2): Costs to public sector

Transition costs

³ 96 (4 calls from the hotline, plus 4 calls from the police each month) divided by 30,000. $1 \div 0.0032 = 312.5$.

Providing information to business on new regulations

The new regulations will be implemented alongside the EU regulations on Explosive Precursors. The additional cost of implementation is expected to be **negligible**.

Ongoing costs

Monitoring of compliance and enforcement costs

We would expect the great majority of businesses and the general public to comply with the regulations from the outset. In line with the Marketing and Use of Explosives Precursors Regulation there will be an 18 month transitional period (until 2 March 2016) for possession and use by the general public of Part 1 poisons to allow people to adjust to the new restrictions. However, if a business or member of the general public is found to be non-compliant, action will be taken which could result in criminal prosecution.

The Home Office will be working with the Ministry of Justice to determine the appropriate offences and punishments required for non-compliance. Further information will be provided in the final impact assessment. If there are additional offences as a result of this policy, there will be a cost to the Criminal Justice System and the Ministry of Justice. The impacts on the Ministry of Justice will be further considered during the consultation.

If information is received about non-compliance, enforcement officers will be tasked to test purchase and take action as appropriate. A small percentage of randomly selected retailers and businesses in each area will also be subject to routine test purchasing. Guidance will be prepared to assist enforcers in how to conduct the test purchases to ensure they are conducted ethically and within the bounds of the regulation.

The cost of test purchasing is assumed to be covered in that estimated in the Explosive Precursors impact assessment.

The General Pharmaceutical Council is responsible for enforcement of the regulations affecting Part 1 poisons. By giving the police new powers to test purchase retailers and other businesses reported to be inappropriately supplying, there may be an increase in prosecutions for inappropriate sales of Part 1 poisons by illegitimate retailers (not pharmacies). The impact of this will be further explored through consultation.

Monitoring and maintaining the suspicious transactions, theft and significant loss reporting systems

Under the new legislation, when a business identifies a suspicious transaction, they are required to report it to the anti-terrorism hotline. The UK already has a fully operational anti-terrorism hotline, and so no setup costs will be incurred.

It is not possible to estimate the number of additional calls that the Hotline will receive as a result of this regulation. We will consult with anti-terrorism hotline about the potential impacts on resourcing.

It is the job of the hotline staff to filter the calls for information to be followed-up by the police. Without this filtering, the legislation might result in a high cost of increased police time following up new leads which may not in fact be useful. We assume that new leads provide an overall benefit to the police due to the increase in the likelihood that a terrorist plot is disrupted. This is because we assume that police officers would run the same level of investigation (that is, using the same number of officers and resources) but now they have better information.

Licensing costs

Members of the public (that is, non-professional consumers) who wish to continue using certain Part 1 poisons at above-threshold concentrations will have to apply for a licence.

It is expected that if there are any licence applications, the majority will be applied for pest control chemicals and electroplating hobby activities. We will explore through consultation whether there are suitable alternatives to these goods. The licence fee is based on full cost-recovery (that is, a movement of money between groups within the UK economy, known as a transfer) and therefore need only be counted as a single cost, not the cost to consumers (as a fee) as well as the cost to the public sector (as a process). There will be no additional system set-up costs above those required for the EU marketing and use of explosives precursors regulation.

However, the exact methodology for calculating the licence fee has yet to be determined and the Home Office will be working with the Treasury to establish what will be in scope for cost recovery.

If the licence fee were to be set based on the direct cost of administering that licence, the fee is estimated to cost approximately £55⁴. This is based on the cost of processing a firearms licence, which takes on average 1 hour 45 minutes administrative time. In addition, there will be the cost to the individual in having to fill out the licence form. This is estimated to take half an hour, at an estimated cost of £3⁵.

There will also be an inconvenience cost to consumers because they will need to plan ahead for purchases of the affected poisons. The publicity campaign to inform consumers about the change in legislation will help to minimise these costs, by allowing consumers to plan ahead.

The licence will last for three years, after which it will need to be renewed.

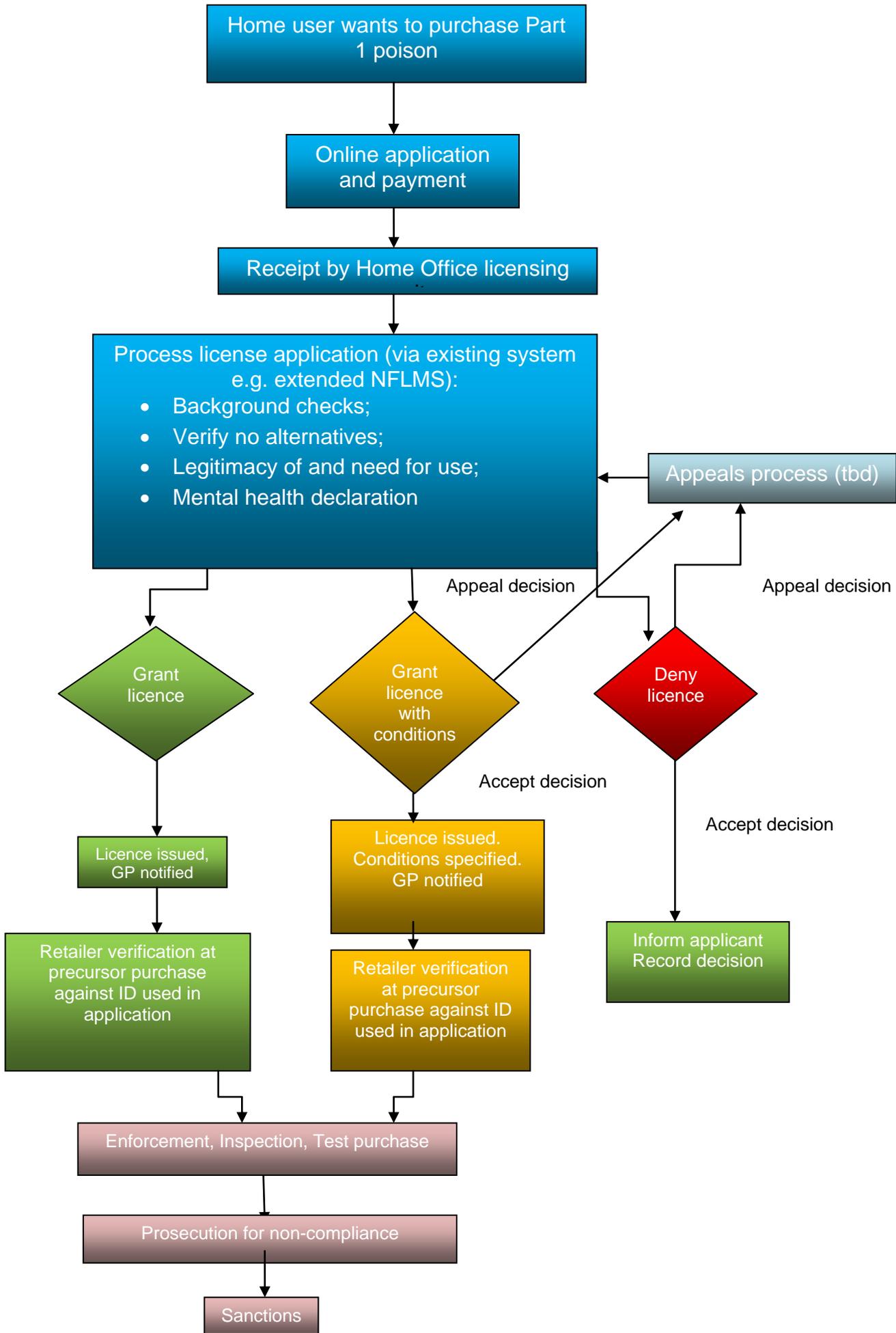
Due to the low home usage of Part 1 poisons currently, there is not expected to be a significant number of licences requested for Part 1 poisons. We therefore assume that the cost to both the public sector and individuals from the Poisons regulations is **negligible**.

If the chosen option is to license Part 1 poisons, advice will be taken from the Ministry of Justice to decide on the appropriate appeals process to put in place. Any appeals would have an impact on the CJS, which has not been quantified in this assessment.

⁴ Based on the cost of an Executive Officer, including on costs, pension, national insurance contributions. On costs from the Standard Cost Model, Better Regulation Framework.

⁵ Source: DfT Guidance, Unit 3.5.6 Values of Time and Operating Costs, Perceived Cost of 'other' non-working time, uprated according to non-working Value of Time growth rates for 2013/14 gives a value of £5.77.

Poisons licensing flow chart (this is the same as explosives precursors):



Costs (3): Cost to home users

Cost of a licence

It has not been possible to quantify the number of licences applied for by home users. We have assumed that no licences will be applied for in order to access Part 1 poisons. We will gather evidence through the consultation on the number of users.

Suspicious transactions, theft and significant losses

The requirement to report suspicious transactions may lead to some genuine customers being refused sale, or having to deal with the police investigating the reasons behind their transaction. Clear guidance will be widely disseminated advising retailers about suspicious behaviours. If followed, the advice should not affect the sale and the police are experienced in dealing with such matters sensitively.

INs (One-in-Two-Out)

This policy removes the requirement to keep a poisons register for Part 1 poisons whilst adding the requirement that registered pharmacists must check licences. This replacement of required tasks for pharmacies is not expected to lead to significant costs.

There will be a cost as a result of the familiarisation and training required of the new policy. This is estimated to be £0.4 to £0.9 million per year on average. In addition, there will be the cost of labelling. This is not expected to be significant due to the significant period of time given to businesses to put the labelling into practice.

This policy will therefore lead to a direct cost of **£0.6m EANCB (2009 prices)**.

BENEFITS

Benefits (1): Benefits to business

Option 2 will remove the requirement for retailers to apply for a licence to sell Part 2 poisons, the driver of the Red Tape Challenge. For the purposes of this assessment we have estimated that there are 19,700 licence holders in Great Britain (see calculations on p4).

Authorities charge varying fees for an application, renewal and variation. From a snapshot of 36 authorities, fees varied from £25.30 to £80.00 for an application, £12 to £67 for a renewal and £6.90 to £29.60 for a variation (for example, a change of address). This is an unrepresentative sample and does not include details of the number of registrations/renewals/variations. Whilst attempts were made to gather further evidence, a representative sample could not be gathered in the short time period available. The consultation will seek further evidence on this.

We use the snapshot of 36 authorities to estimate the average fees charged. Based on the 19,700 estimated licence holders, we assume that all renew each year, and are charged the average renewal fee of £29.79, leading to a saving of **£0.6 million**.

In addition, there is the time saving from not having to renew your licence every year. Assuming that it takes half an hour to renew your licence, the saving would be £9 per business.⁶ **This equates to £0.2 million per year.**

These estimates will be strengthened through the consultation.

Therefore the total saving is estimated to be £0.8 million per year, at a saving of £6.6 million over 10 years (PV).

Benefits (2): Benefits to public sector

Table 2 shows the number of incidents per year relating to the use of chemicals to cause harm reported to the Police National Chemical, Biological, Radiological and Nuclear Centre. If the proposed amendments to the Poisons Act had been in place, some of these incidents may have been brought to the attention of the authorities earlier.

Table 2, The number of reported incidents involving chemicals (2010-2013).

Year	No. of chemical incidents
2010	42
2011	40
2012	¹ 88
Jan-Aug 2013	51

Note: ¹ The spike in numbers reflects the inclusion of Metropolitan Police data.

Suspicious transaction reporting should lead to additional intelligence and reports to the police, allowing them to investigate and prosecute those intent on causing harm before they do so. Fatalities involving chemicals require a specialist response, so if such incidents can be prevented the cost of providing this response is removed.

Removing the licensing requirement for Part 2 retailers will reduce the burden on Trading Standard Officers. However, as the fees they charge are assumed to be based on full cost recovery, we have not included this saving in order to avoid double counting with the benefit to business from no longer requiring a licence.

Benefits (3): Benefits to home users

Those with a genuine need to acquire and use Part 1 and 2 poisons will still be able to do so. However, the general public will be less likely to suffer harm from poisons as a result of greater control over those able to purchase them.

OUTS (One-in-Two-out)

The removal of the requirement for retailers to apply for a licence to sell Part 2 poisons is estimated to lead to **a direct benefit of £0.7m EANCB (2009 prices).**

ONE-IN-TWO-OUT (OITO)

The cost of familiarisation and training is estimated to be £0.6 million whilst the benefit of removing the requirement for retailers to apply for a licence is estimated to be £0.7 million. **Therefore overall this policy will lead to an OUT of £0.1m**

⁶ Using the Annual Survey of Hourly Earnings 2012, for "Shopkeepers and proprietors- wholesalers and retailers" updated for inflation to 2013/14 prices using GDP deflators and adding 30 per cent on costs. On costs from the Standard Cost Model, Better Regulation Framework.

F. Risks

OPTION 2 – Licence

- There is a risk of damage to the Home Office’s reputation if a licence is granted to someone who then misuses the poisons.
- There is a risk of the policy not meeting the objectives by leading to increased use of the black market and the only effect is a negative impact on industry.
- Removal of affected products from the market is also a risk.

G. Enforcement

Enforcement will be the responsibility of the Home Office as the licensing authority and Trading Standards Officers as the statutory inspection body. The Government will discuss this further throughout the consultation process.

When enforcing this policy enforcement bodies will need to check compliance. We expect this to be in the form of test purchase exercises where a covert officer would attempt to purchase a banned or restricted product without complying with the required conditions. Test purchases would be targeted based on intelligence, for example, reports of the supplier’s non-compliance from members of the general public or through other inspections.

Additionally, when conducting a search of domestic premises, if Part 1 chemicals are found, the police would be expected to check for a valid licence.

Guidance will be drafted by the Home Office for enforcement agencies. Guidance (based on that for a similar regulation controlling sales of explosives precursors) will be available for businesses on: identifying and reporting suspicious transactions, thefts and significant losses, and labelling requirements.

Where possible licensing applications and checks will be done using existing systems.

H. Summary and Recommendations

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

Option	Costs	Benefits
2	The cost of training and familiarisation to business is £3.4 to £8.4 million (PV over 10 years).	The removal of the requirement to hold a licence for Part 2 retailers is £6.6 million (PV over 10 years).
	Cost to business of loss of sales due to deterrence effect of licence. Potential cost to public sector in administering licences. Impact on home users of licensing Part 1 poisons. (not quantified)	Benefits to the public sector and individuals from a potential reduction in the misuse of poisons for a) harming the self or b) harming others. (not quantified)

Given the stated policy objectives and the analysis in sections E and F, **option 2 is the preferred option**. It minimises burdens on retailers by removing the requirement to apply for a licence to retail Part 2 poisons and removes the requirement for pharmacists to keep a poisons register. Many of the affected groups will already be affected by similar measures under the Marketing and Use of Explosives Precursors regulation, so the additional impact of this option is small but introduces greater protection against misuse.

I. Implementation

The Government plans to implement these changes in April 2015. Amendments will be introduced via primary legislation during the fourth session.

The delivery of the amendments will be led by the Home Office.

J. Monitoring and Evaluation

The effectiveness of the new regime would be monitored in part by a change in volume of calls to hotline. We have measured a baseline for suspicious transaction calls to the anti-terrorist hotline and will monitor any increase in total calls against those that lead to further action.

We will develop an evaluation plan once we have identified a final preferred option.

K. Feedback

In order to accurately assess the impact of the legislation the Government will seek views from those who will be most affected by the policy: the home users, retailers and enforcement authorities.

This will be achieved by regular stakeholder meetings and monitoring public correspondence relating to the policy.

Annex A: Poisons List

Table A.1, Part 1 chemicals.

Name of substance	Retailled to general public?
Aluminium phosphide	No
Arsenic; its compounds (other than those specified in List 2)	No
Barium, salts of, (other than compounds specified in List 2)	No
Bromomethane	No
Chloropicrin	No
Fluoroacetic acid; its salts; fluoracetamide	
Hydrogen cyanide; metal cyanides, other than ferrocyanides and ferricyanides	Metal cleaning, electroplating
Lead acetates; compound of lead with acids from fixed oils	Hobbies: painting, soldering, target shooting, pottery
Magnesium phosphide	No
Mercury, compounds of, the following: - nitrates of mercury ; mercuric cyanide oxides; mercuric thiocyanate; ammonium mercuric chlorides; potassium mercuric iodides; organic compounds of mercury which contain a methyl group directly linked to the mercury atom	No
Oxalic acid	Stain removal, leather tanning and general cleaning.
Phenols (phenol; phenolic isomers of the following cresols, xylenols, monoethylphenols) except in substances containing less than 60% weight in weight of phenols; compounds of phenols with metal, except in substances containing less than the equivalent of 60% weight in weight, of phenols	No
Phosphorus yellow	No
Strychnine; its salts in quaternary compounds	No
Thallium, salts of	No

Table A.2, Part 2 chemicals:

Name of substance
Aldicarb
Alpha-chloralose
Ammonia
Arsenic, compounds of the following: calcium arsenates, copper acetoarsenite, copper arsenates, copper arsenates, lead arsenates.
Barium- salts of:
Barium, salts of, the following: barium carbonate, barium silicofluoride
Carbofuran
Cycloheximide
Dinitrocresols (DNOC); their compounds with a metal or a base
Dinoseb; its compounds with a metal or a base
Dinoterb
Draxoxolon; its salts
Endosulfan
Endothal; its salts
Endrin
Fentin, compounds of
Formaldehyde
Formic acid
Hydrochloric acid
Hydrofluoric acid; alkali metal bifluorides; ammonium bifluoride; alkali metal fluorides; ammonium fluoride; sodium silicofluoride;
Mercuric chloride; mercuric iodide; organic compounds of mercury except compounds which contain a methyl group directly linked to the mercury atom
Metallic oxalates
Methomyl
Nicotine; its salts; its quaternary compounds
Nitrobenzene
Oxamyl
Paraquat, salts of
Phenols
Phosphoric acid
Phosphorus compounds, the following: Azinphos-methyl, chlorfenvinphos, demephion, demeton-S-methyl sulphone, dialfios, dichlorvos, dioxathion, disulfoton, fonofos, mecarbam, mephosfolan, methidathion, mevinphos, omethoate, oxydemeton-methyl, parathion, phenkapton, phorate, phosphamidon, prirmiphos-ethyl, quinalphos, thometon, thionazin, trizophos, vamidothion
Potassium hydroxide
Sodium hydroxide
Sodium nitrite
Thiofanox
Zinc phosphide

Annex B. Estimating the no. businesses selling Part 1 and 2 poisons.

Standard Industrial Classification (SIC) codes from the ONS were used to estimate the number of wholesalers and producers that would sell Part 1 or 2 poisons.¹

Table B.1 Level of precursor use.

Level of precursor use	Minimum (%)	Maximum (%)
None	0	0
Low	1	10
Medium	40	60
High	75	95

The SIC codes cover a wide range of businesses and some business types will sell both Part 1 and 2 chemicals. It has not been possible to entirely separate out businesses by Part 1 and 2 as some SIC codes cover a wide range of business types and some businesses will sell both, therefore those in *italics* cover both types of poisons. Those highlighted in **bold** show where businesses within these SIC codes also sell explosive precursors.

These figures should be treated with caution as they are based on assumptions on the scale of explosive precursor use in each industry classification. Further evidence to strengthen these assumptions will be gathered through the consultation.

Table B.2 Estimated number of business affected (all concentrations).

Business type	Lower	Upper
Wholesalers	500	2,490
Producers	320	830
TOTAL	830	3,320

¹ UK Business: Activity, Size and Location, 2012, Table A3.1 United Kingdom- Number of Local Units in VAT and/or PAYE based enterprises in 2012.

Table B.3 Wholesalers

Part 1

SIC codes	SIC code description	Estimated impact		Estimated no.	
4612	<i>Agents involved in the sale of fuels, ores, metals and industrial chemicals</i>	1%	10%	10	130
4619	Agents involved in the sale of a variety of goods	1%	10%	20	180
4646	Wholesale of pharmaceutical goods	1%	10%	30	250
4649	Wholesale of other household goods	1%	10%	60	590
4671	Wholesale of solid, liquid and gaseous fuels and related products	1%	10%	20	190
4675	Wholesale of chemical products	1%	10%	20	180
4676	<i>Wholesale of other intermediate products</i>	1%	10%	20	180

Part 2

SIC codes	SIC code description	Estimated impact		Estimated no.	
4611	Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods	1%	10%	<10	80
4617	Agents involved in the sale of food, beverages and tobacco	1%	10%	20	150
4619	Agents involved in the sale of a variety of goods	1%	10%	20	180
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	1%	10%	10	140
4635	Wholesale of tobacco products	75%	95%	60	80
4644	Wholesale of china and glassware and cleaning materials	40%	60%	240	360
4649	Wholesale of other household goods	1%	10%	60	590
4675	Wholesale of chemical products	1%	10%	20	180

Total no. wholesalers

500 2,500

Table B.4 Producers

Part 1

SIC codes	SIC code description	Estimated impact		Estimated no.	
1920	Manufacture of refined petroleum products	1%	10%	<10	20
2013	Manufacture of other inorganic basic chemicals	40%	60%	50	70
2014	Manufacture of other organic basic chemicals	40%	60%	60	80
2020	Manufacture of pesticides and other agrochemical products	1%	10%	<10	<10
2041	Manufacture of soap and detergents, cleaning and polishing preparations	1%	10%	<10	40
2059	Manufacture of other chemical products n.e.c.	1%	10%	<10	50
2391	Production of abrasive products	1%	10%	<10	<10
2399	Manufacture of other non-metallic mineral products n.e.c.	1%	10%	<10	20
2441	Precious metals production	1%	10%	<10	<10
3250	Manufacture of medical and dental instruments and supplies	1%	10%	20	200

Part 2

SIC codes	SIC code description	Estimated impact		Estimated no.	
1200	Manufacture of tobacco products	75%	90%	10	10
1511	Tanning and dressing of leather; dressing and dyeing of fur	40%	60%	20	30
2013	Manufacture of other inorganic basic chemicals	40%	60%	50	70
2014	Manufacture of other organic basic chemicals	40%	60%	60	80
2020	Manufacture of pesticides and other agrochemical products	1%	10%	<10	<10
2041	Manufacture of soap and detergents, cleaning and polishing preparations	40%	60%	160	230
2051	Manufacture of explosives	75%	95%	20	20
2059	Manufacture of other chemical products n.e.c.	1%	10%	<10	50
2720	Manufacture of batteries and accumulators	40%	60%	20	40
Total no. producers				330	830

Annex C. Costs

Table C.1, Compulsory training and awareness raising of staff members.

	Hours and number of staff per business		Number		Hourly wage (including on costs) £	Cost (£m)	
			(low)	(high)		(low)	(high)
	0.5 hours per staff per business						
Part 1 pharmacists	6	12	20	20	26.88	1,200	3,200
	1 hour per staff per business:						
Part 2 retailers	6	13	19700	19700	9.52	1,084,500	2,401,500
	0.25 hours per staff per business:						
Wholesalers	6	13	500	2,490	9.52	7,000	76,300
Producers	17	32	330	830	12.50	17,800	83,600
TOTAL			20,530	23,020		1,110,500	2,564,600

Table C.2, Ongoing training and awareness raising of staff members.

	Hours and number of staff per business		Number		Hourly wage (including on costs) £	Cost (£m)	
			(low)	(high)		(low)	(high)
	0.5 hours per staff per business:						
Part 1 pharmacists	6	12	20	20	26.88 ¹	1,200	3,200
	0.25 hours per staff per business:						
Part 2 retailers	6	13	19,700	19,700	9.52 ²	271,100	600,400
Wholesalers	6	13	500	2,490	9.52	7,000	76,300
Producers	17	32	330	830	12.50 ³	17,800	83,600
TOTAL			20,530	23,020		297,100	763,500

¹ Hourly wage based on ASHE Median Gross Hourly Wage 2012 (uprated to 2013/14 prices) for Pharmacists, including 30 per cent on costs from the Standard Cost Model, Better Regulation Framework.

² Hourly wage based on ASHE Median Gross Hourly Wage 2012 (uprated to 2013/14 prices) for Sales and customer service occupations, including 30 per cent on costs from the Standard Cost Model, Better Regulation Framework.

³ Hourly wage based on ASHE Median Gross Hourly Wage 2012 (uprated to 2013/14 prices) for Process, Plant and Machine Operatives Staff, including 30 per cent on costs from the Standard Cost Model, Better Regulation Framework.

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