

Title: Licensing Act 2003: proposals to reduce burdens of licensing on those who sell limited amounts of alcohol as part of a wider service (“ancillary sellers”). IA No: Lead department or agency: Home Office Other departments or agencies:	Impact Assessment (IA)		
	Date: 26/7/2012		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
Contact for enquiries: Paul Nicol Paul.nicol@homeoffice.gsi.gov.uk			

Summary: Intervention and Options	RPC Opinion: RPC Opinion Status
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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?
£57.3m	£57.3m	-£6.8m	Yes OUT

What is the problem under consideration? Why is government intervention necessary?
Respondents to the hospitality theme of the Red Tape Challenge suggested that the licensing regime of the Licensing Act 2003 (the 2003 Act) deterred businesses that wished to sell alcohol only as an ancillary part of a wider service. The most prominent examples were small accommodation providers, such as guesthouses and self-catering establishments, who may wish to provide a small amount of wine with an evening meal or a “welcome pack”.

What are the policy objectives and the intended effects?
To consider whether and how to lower the burden of licensing on “ancillary” sellers of alcohol, without causing enforcement challenges and undermining public protection. The consultation will consider alternative approaches to this objective, and whether they can be extended across other types of sale or premises.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
Alternative approaches are set out in the Impact Assessment in advance of consultation and there is no preferred option at this stage.
The options considered in this Impact Assessment are:
Option 1: Do nothing
Option 2: : Introduce a process by which ancillary sellers who hold; or are applying for; a premises licence can apply to vary their licence to remove, or to exclude, the requirement for a personal licence holder at their premises.
Option 3: Introduce a new form of authorisation under the 2003 Act, enabling ancillary sellers who hold a personal licence to issue a notice authorising them to sell alcohol, which we will refer to as an “Ancillary Sales Notice”, (ASN). This would authorise strictly limited types of alcohol sales, without the need for a premises licence.
There is no preferred option at this stage. The figures above illustrate the potential net present values of Option 3.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: TBC through consultation					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: None	Non-traded: None

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

Signed by the responsible Minister: Jeremy Browne MP  Date: 20-09-12

Summary: Analysis & Evidence

Policy Option 2

Description: Introduce a process by which ancillary sellers can apply to vary their licence to remove; or to exclude; the requirement for a personal licence holder at their premises

FULL ECONOMIC ASSESSMENT

Price Base Year 2010/11	PV Base Year 2010/11	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 14.4	High: 78.6	Best Estimate: 46.5

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		0.7	6.1
High	Optional		2.6	23.3
Best Estimate			1.7	14.7

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

We expect the vast majority of applicants to apply to exclude the requirement for a personal licence when they apply for a premises licence. In this case, as for the existing similar process for community premises, we expect that there will be no additional fee on top of the premises licence application fee. Ancillary sellers will pay the premises licence application fee and annual fee at an estimated cost of £1.7m per year.

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

Licensing authorities will have to process applications to remove the requirement to have a personal licence holder. As stated above, this will be funded through fees. There will be a small familiarisation cost (as this will be a similar process to an existing process by which community premises can make an application for the same purpose). It is possible that there may be a very small increase in alcohol-related crime and health harms due to increased consumption.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		2.4	20.5
High	Optional		12.0	102
Best Estimate			7.2	61.2

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

The main benefit is that ancillary sellers who remove the requirement for a personal licence holder will no longer have to apply for a personal licence, or meet the necessary requirements. In particular, this includes the requirement to possess an accredited qualification. This benefit has been expressed in terms of increased profit from the ability to sell alcohol estimated at £7.2m per year.

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

If more ancillary sellers are encouraged to provide alcohol as part of a wider service, then consumers may benefit from an improved service.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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There is a risk that Option 2 would not prove as popular with ancillary sellers, as they would still be required to obtain a premises licence (for example). We have assumed that the only premises that will benefit are accommodation providers. However, we are consulting on further business types (such as florists) and will update estimates as necessary as part of any final Impact Assessment.

The Government is consulting upon a number of de-regulatory licensing measures. This means that the estimated "outs" are subject to interdependencies, and may, at consultation stage, contain "double counting" that will be addressed at implementation stage. (For example, the estimated benefit of simplifying an administrative process should not necessarily include businesses that may not need to conduct that process in the future.)

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 1.7	Benefits: 7.2	Net: 5.6	Yes	OUT

Summary: Analysis & Evidence

Policy Option 3

Description: Introduce a new form of authorisation under the 2003 Act, an “Ancillary Sales Notice” (ASN), enabling ancillary sellers who hold a personal licence to issue a notice authorising them to sell alcohol,

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2010/11	2010/11	10	Low: 29.5	High: 85.1	Best Estimate: 57.3

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	0.3	2.4
High	Optional	0.6	5.5
Best Estimate		0.4	4.0

Description and scale of key monetised costs by ‘main affected groups’

In common with other forms of authorisation, the new form of authorisation would require a fee to recover the full costs to the licensing authority of administering the notice and, in rare cases, holding hearings or reviews. Ancillary sellers will pay the personal licence application fee and ASN fee at an estimated cost of £0.4m per year.

Other key non-monetised costs by ‘main affected groups’

There will be a small costs to licensing authorities and to other public protection agencies, such as the police, in familiarising themselves with the new process, if introduced. It is possible that there may be a very small increase in alcohol-related crime and health harms due to increased consumption.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	3.8	31.9
High	Optional	10.7	90.6
Best Estimate		7.2	61.3

Description and scale of key monetised benefits by ‘main affected groups’

The main benefit will be to ancillary sellers who no longer have to obtain a premises licence, or pay the annual fee. This benefit has been expressed in terms of increased profit from the ability to sell alcohol estimated at £7.2m per year

Other key non-monetised benefits by ‘main affected groups’

If more ancillary sellers are encouraged to provide alcohol as part of a wider service, then consumers may benefit from an improved service.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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The number of premises benefitting from Option 3 might be higher than we have estimated, due to the very simplified licensing process. However, there is also a risk that it would not prove as popular, due, in particular, to the restrictions on economic activity implied by the definition of “ancillary seller”. We have assumed that the only premises that will benefit are accommodation providers. However, we are consulting on further business types (such as florists) and will update estimates as necessary as part of any final Impact Assessment.

The Government is consulting upon a number of de-regulatory licensing measures. This means that the estimated “outs” are subject to interdependencies, and may, at consultation stage, contain “double counting” that will be addressed at implementation stage. (For example, the estimated benefit of simplifying an administrative process should not necessarily include businesses that may not need to conduct that process in the future.)

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.4	Benefits: 7.2	Net: 6.8	Yes	OUT

Evidence Base (for summary sheets)

Strategic Overview

Background

- 1) 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 harms¹. The Alcohol Strategy included a commitment to consult on giving licensing authorities greater freedom to take decisions that reflect the needs of their local community, including, where appropriate, to reduce the burdens of the licensing regime and support local growth. This followed the “hospitality theme” of the Red Tape Challenge, in which members of the public and businesses were invited to suggest regulations that should be scrapped or simplified.
- 2) The Government is committed to removing unnecessary regulation and to exploring how it can make the day to day process of licensing as easy as possible for responsible businesses. The consultation on the delivery of the Alcohol Strategy sets out proposals for cutting red tape in the licensing system, including a number of ways in which we wish to reduce the burdens of licensing on local organisations such as community and arts groups and schools, and businesses that are not connected to alcohol-related problems.
- 3) **Impact of the wider Alcohol Strategy:** It is important to note that there will be impacts (both costs and benefits) from the other policies arising from the Government’s Alcohol Strategy but for the purpose of this pre-consultation assessment we are appraising proposals to reduce the burdens on ancillary alcohol sellers in isolation. Impact assessments will be revised following public consultation to reflect the agreed and combined package of measures being taken forward.
- 4) **Pre-consultation Impact Assessment:** This is a pre-consultation Impact Assessment and is based on the best available evidence at the point of publication. We have set out within the Impact Assessment the areas where we hope to increase our evidence base through additional research and the consultation process. Impact estimates (both costs and benefits) therefore remain subject to change.

Groups Affected

5) Licensing authorities

Licensing authorities are responsible for the administration of the 2003 Act, and would be responsible for the local implementation of any new licensing process that is brought forward.

The police and other Responsible Authorities

The police and, potentially, other responsible authorities, will have the opportunity to object or make representations on a notice or application.

Ancillary sellers of alcohol

Ancillary sellers of alcohol, particularly guesthouses and self-catering operators, will potentially benefit from exemptions. We are inviting views on whether further categories of premises, for example, florists or hairdressers, could benefit from a similar process.

Consultation

- 6) **Within Government:** Cabinet Committee clearances were gained for the publication of the Alcohol Strategy, including the outcomes of the Red Tape Challenge hospitality theme. These clearances include official and Ministerial level discussions with other Government departments, including the Department of Health, Department for Business, Innovation and Skills, HM Treasury, HM Revenue and Customs, The Department for Culture, Media and Sport, and the Department for Communities and Local Government.

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

- 7) **Public Consultation:** Respondents to the Red Tape Challenge suggested that the burdens of licensing be reduced for ancillary sellers of alcohol, particularly tourist accommodation providers. This Impact Assessment has been developed in advance of a further public consultation. Government officials have previously held discussions with local authorities and the hospitality industry. To assist with the effective design of our consultation, officials will continue to hold discussions with representatives from the hospitality industry, licensing authorities and the police and other interested parties.

Rationale

- 8) 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 Act 2011, is appropriate. However, a well-run and diverse hospitality industry has the potential to boost growth and representatives of this industry have highlighted concerns as part of the Red Tape Challenge about some of its administrative burdens.
- 9) Respondents to the hospitality theme of the Red Tape Challenge expressed concern that the licensing regime of the Licensing Act 2003 (the 2003 Act) deterred small accommodation providers, such as guesthouses and self-catering establishments, from obtaining authorisations. These businesses would like to sell relatively small amounts of alcohol as part of a single contract for the wider service of providing accommodation. Examples included a glass of wine with an evening meal, or a bottle of wine included in a 'welcome pack'. These type of businesses are thought to have frequently sold alcohol in this way under the former regime of the Licensing Act 1964, when the net costs were lower for them (around £30 for three years²). We will refer to businesses who wish to make these kind of sales as "ancillary sellers". The administrative costs and fees required to possess a premises licence under 2003 Act has deterred such operators because it is out of proportion with the limited nature of the sales. The 2003 Act therefore has the effect of restricting the profits that such operators might make and the benefits to potential consumers of their products. As the risks, in terms of alcohol misuse, associated with ancillary sellers are considered to be low, the protective benefits of the 2003 Act do not offset these costs.
- 10) The Government is committed to removing unnecessary regulation and to exploring further how it can make the day to day process of licensing as easy as possible for all responsible businesses. The policy objective behind this proposal in this Impact Assessment is to reduce the administrative burdens of the 2003 Act without undermining the licensing objectives³.

Options for consultation

- 11) The three options are:
- Option 1:** Do nothing, so that full licensing process remains in place for ancillary sellers as for other sellers of alcohol.
- Option 2:** Introduce a process by which ancillary sellers can apply to remove the need for a personal licence holder (either when they obtain their premises licence or subsequently).
- Option 3:** Introduce a new form of authorisation under the 2003 Act, enabling ancillary sellers who hold a personal licence to issue a notice authorising them to sell alcohol, which we will refer to as an "Ancillary Sales Notice", (ASN). This would authorise strictly limited types of alcohol sales without the need for a premises licence.
- 12) The two requirements needed to sell alcohol can be summarised as:
- obtaining a personal licence (and obtaining the necessary qualifications etc) and;
 - obtaining a premises licence (and for example paying the annual fee).

² Submission of the Tourism Alliance to the Independent Fees Review Panel, August 2005. There was a magistrates' court fee of £30 for an on-licence, which is thought to have fallen far short of cost recovery for the courts system.

³ 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.

- 13) Therefore, **Option 2** considers allowing “ancillary sellers” to apply to remove the need for a personal licence. For those familiar with the 2003 Act, it may be helpful to think of this as being similar to the current ability of “community premises” to apply to remove the requirement for a personal licence holder at their premises.
- 14) **Option 3** is to create a new form of authorisation, in which the ancillary seller, who holds a personal licence, would notify the licensing authority that they intend to make certain very limited kinds of alcohol sales as part of a contract for a wider service. No premises licence would be required. For those familiar with the 2003 Act, it may be helpful to think of this as being similar to the process of issuing a Temporary Event Notice. We will refer to this new form of authorisation as an “ancillary sales notice” (ASN).
- 15) This IA focuses on accommodation providers. Under both Options, it is proposed that “ancillary sales” could be sales made to staying guests as part of the wider contract for provision of food and accommodation. Under this proposal, the premises would not be authorised to operate a “bar”, under which customers could order further alcohol, as this would not be part of the contract for the wider service of accommodation.
- 16) **“Minimal” sales**: It should be noted that the proposed definition of “ancillary sellers” does not apply to premises *merely* because they sell “minimal” amounts of alcohol in a stated period. The Government proposes to reduce the bureaucratic burdens of the 2003 Act overall, which should benefit such premises, along with others. More importantly, local decisions about what steps are appropriate to promote the licensing objectives are made in respect of each premises licence or certificate under the 2003 Act. This means that low-risk business models have fewer safeguards imposed as “conditions”. However, exemptions, or exceptions that are defined merely on the grounds of the amount sold, would create potential loopholes to be exploited and enforcement challenges for the police and other agencies.

Appraisal

- 17) The following appraisal section sets out the costs and benefits of Options 2 and 3. Costs and benefits estimated are those occurring in addition to the do nothing option (Option 1).

OPTION 2 – REMOVING THE NEED FOR A PERSONAL LICENCE

GENERAL ASSUMPTIONS

- 18) This proposal would enable an “ancillary seller” (see paragraphs 7 - 14 above) to apply to remove the need for a personal licence holder (either when they obtain their premises licence or subsequently).
- 19) **Costs of obtaining a personal licence**: Sections 19(2) and 19(3) of the 2003 Act require that, where a premises licence authorises the supply of alcohol, the licence must include conditions to the effect that:
 - a) there has to be a “designated premises supervisor” (DPS), named on the licence, who holds a premises licence; and that
 - b) every supply of alcohol under the premises licence must be made or authorised by a person who holds a personal licence.
- 20) For an “ancillary seller” the main regulatory burden of this requirement is that someone at the premises has to hold a personal licence. Therefore, they must make a successful application for a personal licence and, therefore, meet the necessary criteria. These costs are monetised at **Annex A** below.

Potential beneficiaries

- 21) The requirement to possess a personal licence and comply with s.19(2) and s.19(3) of the 2003 Act affects all those who make applications for new premises licences or possess premises licences. The only current exemption is for “community premises” that have successfully applied to

remove the requirement. Our proposal under Option 2 applies to accommodation providers, and we are also inviting views on whether further categories of premises (for example, florists) might benefit from this proposal in a similar way. As these are currently unspecified, they have not been quantified in this Impact Assessment though will be updated as necessary for any final Impact Assessment.

- 22) We will assume that premises already in possession of a full premises licence, where there will already be a personal licence holder, will generally not vary their licence to benefit from Option 2. This is because they will have already expended the costs required to obtain a licence, and because of the limitations it would place on their activities. In particular, selling alcohol as “ancillary seller” would result in lower profits than would typically be available under a current premises licence. Under the proposed definition of ancillary sales, accommodation providers would be limited to sales made to staying guests as part of the contract for the wider service of accommodation, which would exclude the operation of a public bar or further sales. Therefore, the potential beneficiaries are accommodation providers that do not currently possess a premises licence, but might be inclined to acquire one if the burdens were reduced.

Guesthouses and self-catering establishments

- 23) It is difficult to estimate the number of premises in these sectors who might benefit from the proposals. Figures released by People 1st, based on Office of National Statistics data, indicate that there are 10,400 serviced accommodation businesses and 2,600 non-serviced accommodation providers⁴. However, these figures are based on VAT-registered businesses, and it is thought that many guesthouses and self-catering establishments fall below the VAT threshold. VisitBritain’s estimates for the total number of establishments (see below) are substantially higher, although they are for England only.
- 24) We will assume that VisitBritain’s figure broadly represent the number of establishments in England, including non-VAT registered, smaller business (which are more likely to benefit from the proposal). To estimate the number in England and Wales, we will assume that the total proportion is the same as in the total visitor accommodation units according to ONS: 14,165 in England and 1,635 in Wales (11.5% of England estimate)⁵.

Table 1: Estimates for the number of accommodation businesses/ establishments:

	VisitBritain ⁶ (England)	Estimated number in Wales 11.5%	England & Wales estimate
Serviced accommodation⁷	25,597	2,944	28,541
Non-serviced accommodation⁸	26,426	3,039	29,465

Serviced accommodation: potential beneficiaries

- 25) The definition of ancillary sellers will not include premises that operate bars, room service, or other more formal forms of alcohol sales. This is because they would sell alcohol otherwise than as part of a single contract for a wider service. For example, 4,200 hotels possess 24-hr licences⁹. Other

⁴ State of the Nation 2010, page 23 Table 6. Based on Great Britain data from Annual Business Inquiry 2008, Office for National Statistics (data released 17 November 2009); figures rounded to nearest 100. Figures are for UK businesses, “non-serviced” is self-catering accommodation, holiday centres & youth hostels.

⁵ Office for National Statistics, Supply Side of Tourism Report 2009, published 3/2/2012, Table 12, page 34.

⁶ State of the Nation 2010, page 24 Table 7. Figures are for England only. The source notes that much a much larger estimate exists for UK hotels, 46,019 in Horizons for Success 2009, UK food service industry in 2008. The English Association of Self-Catering Operators likewise provided a much higher estimate for self-catering establishments (in England only), 60,000. Given these higher estimates, it is reasonable to assume that the VisitBritain figures are a reasonable estimate despite the fact that other accommodation types are included.

⁷ “Serviced accommodation” includes: bed and breakfasts, country houses, farms, guest houses, hotels, inns etc.

⁸ “Non-serviced accommodation” includes: campsites, holiday dwellings etc

⁹ Licensing statistical bulletin http://www.culture.gov.uk/images/research/Licensing_Statistics_Bulletin2010.pdf page 9

serviced accommodation providers may have licences that do not extend for 24 hours. Given that the larger premises with bars are more likely to be VAT registered, we will assume that between 4,200 and 10,400 serviced accommodation providers (the estimated number of serviced accommodation providers according to ONS) operate more formal forms of alcohol sales, leaving around 18,141 – 24,341 potential beneficiaries.

Non-serviced accommodation: potential beneficiaries

- 26) The trade body for the self-catering sector, the English Association of Self-Catering Operators (EASCO), has suggested that virtually no self-catering premises are currently licensed, and therefore do not operate bars etc., meaning 29,465 potential beneficiaries.

Expected take-up: serviced accommodation

- 27) A very similar proposal, with similar benefits, was brought forward in 2009 for “community premises”. The Impact Assessment¹⁰ for that measure estimated that there were around 6,000 potential beneficiaries. In the first 8 months of the new scheme, there were 244 applications and no refusals¹¹, around 4%. We will therefore assume that 6% is typical for a full year and this rate of take-up will continue for the first three years of implementation. This would apply to 18,141 – 24,265 providers of serviced accommodation, implying a take-up of around 1,088 – 1,460 establishments in the first year, increasing to 3,073-4,124 after 3 years.

Expected take-up: non-serviced accommodation

- 28) Under Option 2, ancillary sellers would still be required to obtain a premises licence for each establishment. Providers of non-serviced accommodation are often owner-operators with a number of establishments¹². Not having to have a personal licence is likely to save around £308 (see Annex A below). However a premises licence for each establishment is likely to cost at least £717 initially (see Annex B below), and will then require an annual fee (at an average of £193 per year, see Annex B). As they often operate multiple establishments, Option 2 is unlikely to be highly attractive to self-catering operators, and may not be any more attractive than possessing a licence currently is. We will assume that between 0% and 6% of potential beneficiaries in the self-catering sector will take advantage of Option 2 per year for the first three years of implementation, or 0 – 1,768 establishments in the first year, increasing to 0-4,992 after 3 years.

Estimated net take-up for Option 2 is 1,088 – 3,224 establishments in the first year, increasing to 3,073-9,116 after 3 years. (See Table 1 in Annex C for full breakdown)

COSTS

COST TO BUSINESS (OIOO)

Currently Unlicensed Premises

- 29) Establishments that are currently not licensed to sell alcohol and choose to become ancillary sellers will have to pay the cost of obtaining and possessing a premises licence. The fee cost of a premises licence together with the administrative burden has been estimated to be £717-£1,305 . The establishments will also have to pay an annual fee of £193 (see Annex B). Table 1 in Annex C shows the take up each year and the volume of establishments having to pay an annual fee.
- 30) In the first year, the cost to business of the application fee is estimated to be **£0.8m-£4.2m**, falling to **£0.7m-£3.7m** in the third year due to the gradual take-up of the policy, with a zero cost from the fourth year onwards. After the first year businesses will have to pay the annual licence fee, which is estimated to cost business **£0.2m-£0.6m** in year two, rising and staying constant at **£0.6m-£1.8m** by year four as more establishments become ancillary sellers. (see Tables 2 and 3 in Annex C for full breakdown).

¹⁰ Legislative reform orders: proposals to introduce a simplified process for minor variations to premises licences and club premises certificates and remove the requirement for a designated premises supervisor and personal licence at community premises (2008), page 70
<http://webarchive.nationalarchives.gov.uk/20100407120701/http://www.culture.gov.uk/images/consultations/LicensingconsultationJuly2008minorvar.pdf>

¹¹ Licensing Statistical Bulletin 2009-10.

¹² The English Association of Self-Catering Operators have tentatively suggested that each operator has an average of around 2.5 establishments.

Licensed premises

- 31) Those establishments which are already licensed to sell alcohol but wish to become ancillary sellers and therefore exempt from the personal licence fee will have to pay an application fee. This process would be similar to the current ability of “community premises” to apply to remove the requirement for a personal licence holder at their premises. The fee would need to cover the full licensing authority costs of administering the application including (in rare cases) hearings on application, or following a process of review. Hearings and review may follow an objection from the police, for example. The current fee for the community premises process is £23¹³, if made separately from an application for a licence. There is no additional charge for the process if it is made at the same time as the application, as the licence application fee itself is intended to recover the full cost to the licensing authority (including, in rare cases, review of licences).
- 32) By having made the decision to pay the full cost of a premises licence and personal licence, it is assumed that these licensed premises are making significant amounts of profit from alcohol sales and therefore will not choose to become “ancillary sellers” due to the restrictions it places on their ability to sell alcohol. (We will consider the validity of this assumption through the consultation process).

COST TO PUBLIC SECTOR

- 33) Local Implementation, communication, and familiarisation costs: There will be a familiarisation cost. This is expected to be minimal as the process differs little from existing application processes. If implemented, licensing authorities may wish to communicate the policies in their area, most likely on an ad hoc basis (for example, if a person seeks to make an application for a premises licence and could consider applying as an “ancillary seller”). The Home Office will communicate the changes via its website; to leading trade bodies; and through the Guidance issued under s.182 of the 2003 Act. Therefore, it is expected that the communication cost to licensing authorities will be minimal. As set out above, applications will be accompanied by a fee based on cost-recovery.
- 34) Licensing authorities will have to process applications to remove the requirement to have a personal licence holder. However this cost will be offset by the revenue from licence fees which will be set at an appropriate level to cover the costs to licensing authorities. Therefore the net effect is zero.
- 35) Enforcement: Monitoring and enforcement of the Licensing Act 2003 is conducted by licensing authorities, the police, and, in some cases, by Trading Standards. This proposal may result in a very slight increase in the number of premises selling alcohol lawfully. The circumstances of the sales, and the amounts sold, will be strictly limited. The licensing authority will continue to conduct a test in each case, through the application process, before an additional authorisation is granted. It is therefore expected that enforcement activity will be extremely limited. If hearing and reviews are necessary, they will occur within the fee-funded regime of the 2003 Act. Appeals to the magistrates’ courts, relative to hearings and reviews, are extremely rare for existing licences, and are expected to be even more so in respect of premises licences and ASNs held by “ancillary sellers”.
- 36) Increased crime and health costs: Option 2 is primarily aimed at reducing the bureaucratic burdens and costs on businesses. In this it is fundamentally different from other proposals in the Alcohol Strategy aimed at reducing the harms caused by excessive alcohol consumption. Nevertheless, there is a risk that Option 2 may lead to a very small increase in the overall consumption of alcohol as it increases the opportunities to sell it. There is no data on the typical consumption associated with ancillary sellers so we cannot quantify this. However, since the average increase in profits that we have estimated is very low (less than £1,500 per year, see ‘benefits’ section), we believe that the associated increase in consumption would also be small.
- 37) Alcohol consumption is associated with crime, particularly violent crime, and ill health^[1]. There is therefore a risk that any increase in alcohol consumption brought about through Option 2 could

¹³ Application to vary premises licence at community premises to include alternative licence condition <http://www.homeoffice.gov.uk/publications/alcohol-drugs/alcohol/alcohol-licensing/fee-levels/>

^[1] See impact assessments on minimum unit pricing and ban on multi-buy promotions for a summary of the evidence.

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 (“SchHARR 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 consumption effect of this proposal and the different nature and application of the SchHARR model¹⁴, it is not currently possible to model these harms. We are carrying out a technical consultation with licensing authorities and key partners and will seek to gather evidence on the likely take up of the proposed ancillary sales exemption (and indication of the consequent effect on consumption) as part of this work. This will be used to inform any final stage Impact Assessment.

BENEFITS TO BUSINESS (OIOO)

- 38) The main benefit is that an ancillary seller would no longer have to obtain a personal licence (or meet the criteria to be granted one).
- 39) For an ancillary seller of alcohol the main regulatory burden of this requirement is that someone at the premises has to hold a personal licence. Therefore, they must make a successful application for a personal licence and, therefore, meet the necessary criteria.
- 40) The estimated total cost of obtaining a personal licence, including fees and administrative costs is £308. (See Annex A below for details of this estimate). As a result of this policy option, ancillary sellers will no longer be subject to this cost. There are, potentially, further requirements. For example, that the licence holder might need to vary the DPS, and that a personal licence needs to be renewed every 10 years.¹⁵ However, the potential savings from not being subject to these requirements are relatively small for ancillary sellers and we have not monetised them for the purpose of this impact assessment.
- 41) The beneficiaries of Option 2 will be able to sell alcohol and profit from it. However, the types of practices enabled are not expected to be high profit activities. Given that the administrative cost of a personal licence to an ancillary seller is estimated to be £308, it is reasonable to assume that this forms the upper limit of the expected profit in any year. This is because it is assumed that if the profit to an ancillary seller was greater than the cost of obtaining the personal licence, a rational business would choose to apply for the licence in order to be able to sell alcohol and generate profit. In other words, they will only apply for a licence if they can either break-even or make positive profits.
- 42) Currently, a business has made the decision to not sell alcohol because the potential profits made by selling alcohol do not cover the cost of a premises and personal licence (i.e. their potential profits from selling alcohol are below the cost of a premise and personal licence). By removing the cost of a personal licence (£308) it is now £308 cheaper to be authorised to sell alcohol. We assume that those businesses that could make between £0- £308 of additional profit after paying the premises licence will now see it as economically sensible to do so. The average additional profit is expected to be the midpoint of this, at £154 per year. Note that these are the profits on top of those necessary to offset the cost of a premises licence and the administrative burden i.e. to break-even. The monetised benefits therefore include the profit to cover the cost of the licence as well as the additional profit (which equals £871-£1,459 per establishment per year).
- 43) It is important to note that we are assuming that businesses are focusing on the cost for the first year only due to potential cash flow issues and uncertainty about the future. If they were to look at the cost of a licence over a longer period, the required annual profit to break even would be smaller.
- 44) Table 4 in Annex C shows the estimated benefits for business. In year one the benefit is estimated to be **£1.0m-£4.7m** but increases to a constant **£2.7m-£13.3m** by year three as more establishments become “ancillary sellers”.

Non-monetised benefits

¹⁴ The SchHARR 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.

¹⁵ Although we are consulting on removing the 10 year renewal requirement for a personal licence.

- 45) If more ancillary sellers are encouraged to provide alcohol as part of a wider service, then consumers may benefit from an improved service.

ONE-IN-ONE-OUT OIOO

- 46) Option 2 has an impact on business and is therefore in scope for “One in One Out”.

COSTS (INs)

- 47) The estimated annual cost to business based on administrative costs of making applications and the annual fee to sell alcohol for ancillary sales is estimated at **£1.7m** on average per year.

BENEFITS (OUTs)

- 48) The estimated profit to business from alcohol sales is estimated at **£7.2m** on average per year.

NET EFFECT (OIOO)

- 49) In the first year of implementation the net effect is estimated to equal £0.2m-£0.5m increasing to £2.1m-£11.5m from year 4 onwards due to the up-take of establishments over the first three years. (See Tables 1-4 in Annex C for full breakdown).

Net effect	Low	High
Y1	£0.2m	£0.5m
Y2	£0.9m	£4.6m
Y3	£1.6m	£8.4m
Y4	£2.1m	£11.5m
Y5	£2.1m	£11.5m
Y6	£2.1m	£11.5m
Y7	£2.1m	£11.5m
Y8	£2.1m	£11.5m
Y9	£2.1m	£11.5m
Y10	£2.1m	£11.5m

Risks of Option 2

- 50) There is a slight risk that accommodation providers who do not hold personal licences may sell alcohol under their premises licence in ways that undermine the licensing objectives, or are criminal. However, the fact that activities permitted will be limited will make this highly unlikely. The majority of existing safeguards under a premises licence will apply. In rare cases where problems emerge, a process will exist whereby the requirement for a personal licence holder could be re-imposed.
- 51) There is a risk that take-up will be very low, given the continuing requirement to obtain a premises licence and (for example) pay an annual fee.
- 52) There is a modelling risk in that we have assumed that businesses focus on the cost of a licence in year one only, not spreading the cost over multiple years. If this is not the case, we may have overestimated the profits for business. On the other hand, we have also assumed that businesses are purely rational enterprises. In reality some businesses may be put off by the current process required to sell alcohol even if they could make a profit from this activity.

OPTION 3: ANCILLARY SALES NOTICE (ASN)

General Assumptions

- 53) The proposed “Ancillary Sales Notice” (ASN) will be a new form of authorisation under the 2003 Act. The outline proposal is that a personal licence holder will be able to issue an ASN and, if there are no objections (such as from the police) conduct alcohol sales, in the limited form set out on the

ASN, without the need for any other form of authorisation (such as a premises licence). We consider that the ASN will have to have a limited duration, and propose five years for the purpose of this Impact Assessment.

- 54) In common with the other authorisations, it will require a fee to cover the full licensing authority costs, including the administration of the issue or application, and any hearings (on application) and reviews (after grant or issue) that occur. Under the measures in the Police Reform and Social Responsibility Act 2011, the fee will, in common with other licensing fees, be set by the licensing authority to which it is payable. Given that the details of the process are also subject to consultation and further consideration, we can therefore give only an approximate estimate of the average fee that will be required.

Estimated licensing authority administration costs of issue of ASN

- 55) We intend that the ASN works in a similar way to a Temporary Event Notice, for which the fee is currently £21. Another comparable licensing process, Minor Variations, has an application fee of £89¹⁶, and anecdotal evidence from licensing officers is that this is closer to covering the actual administrative costs. We will assume that the basic administrative cost of an ASN at issue or grant is the mid-point of these existing fees, or £55.

Estimated licensing authority ongoing costs of ASN

- 56) However, unlike those processes, there will be an ongoing cost of an ASN (as they will apply for a defined period of time rather than one-off events). There were only 1,300 reviews of 216,200 licences and certificates in 2009-10, or 0.6%; and 220 counter notices following police objection to 122,500 Temporary Event Notices (TENs), or 0.2%. We expect hearings and reviews in connection to ASN to be similarly very rare due to the limited nature of the activities licensed by an ASN. A "review" of a full premises licence has been estimated to cost a licensing authority around £1,730 - £2,000 to administer¹⁷. If 0.2% - 0.6% of ASNs resulted in review each year, and ASNs were valid for five years, the fee would need to include a cost of £17 - £60 to cover these costs.

Approximate estimated fee for ASN is £72 - £115. This fee would be paid by those issuing ASNs.

Estimated administrative costs of application or issue of ASN

- 57) There will be an administrative cost to filling in the form necessary for the ASN. We propose that this will be much simpler than for an application for a licence, given that we expect the form to contain few variables, not require a plan (but instead only a description of the premises), not require copying to responsible authorities (other than the police), and we do not expect it to require legal assistance. The estimate for the premises licence form (see below) is £50, around three hours of administrative time at £16.96¹⁸. We will assume that the ASN form is significantly shorter, and take an average of one hour.

Total estimated administrative and fee cost of an ASN is £89 - £132 (every five years).

Cost of obtaining and holding a premises licence over five years

- 58) The estimated administrative cost of applications for premises licences is £482 - £1,070. The estimated average application fee is £235. The estimated net administration and fee costs of application are therefore £717 - £1,305. (See Annex B for details of these estimates).
- 59) The cost of holding a premise licence over five years (the expected period of validity of an ASN) will include four annual fees, at an average cost of £193 (see Annex B), a total cost of £772. A personal licence is required at the outset, with an average cost of £308 (see Annex A). Therefore, the average cost of obtaining and holding a premise licence over five years is £1,797 - £2,385.

Comparison of premises licence with ASN

- 60) Under Option 3, an issuer of an ASN would have to hold a personal licence, as well as apply and pay for a fee. The administrative cost of issuing one would therefore be £397 - £440. If the ASN is valid for five years, *the saving compared with obtaining and holding a premises licence would therefore be £1,400 – £1,960, with a best estimate of £1,945.*

¹⁶ Current fees under the 2003 Act available here: <http://www.homeoffice.gov.uk/publications/alcohol-drugs/alcohol/alcohol-licensing/fee-levels/>

¹⁷ Estimates supplied by licensing officers.

¹⁸ See below, Annex B.

Potential Beneficiaries

- 61) The ASN is likely to be more attractive to potential users than Option 2 because it would remove the need for a premises licence and the associated annual fee, and the benefits are therefore larger. It is more likely to be attractive to non-serviced accommodation providers; to new businesses that may regard as ancillary sales as a valid business model; and may also attract some serviced accommodation providers who currently hold premises licences because, although it is likely to restrict the available activities, it is likely to be significantly cheaper, as it will not require an annual fee.
- 62) However, there will still be a limited demand for an ASN, given the restrictions that we expect to apply, and the continuing need to acquire a personal licence. We do not expect many premises that currently operate bars or room service to wish to convert their activities to those that would be permitted under an ASN. As for Option 2, we are proposing that Option 3 applies to accommodation providers, and also inviting views of whether further categories of premises (such as florists) might benefit from this proposal in a similar way. As these are currently unspecified, they have not been quantified in this Impact Assessment though will be updated as necessary for any final Impact Assessment.
- 63) Premises that do not have a licence: we estimated (above) that, for serviced accommodation, there were around 18,141 – 24,265 potential beneficiaries. For non-serviced accommodation, we estimated around 26,246. We estimated that, respectively, 6% and 0% - 6% of the potential beneficiaries would be attracted to apply each year.
- 64) We have no good evidence to suggest how popular the ASN would be. Unlike Option 2, there is no similar existing process to compare it to. A lot will depend on the details of the proposal which will be developed during the consultation. We will tentatively assume that, given the relative advantages, the ASN will be slightly more popular than we estimated for Option 2, at 6%-9% of the current estimated number of serviced accommodation establishments (an additional 50% of applicants compared to Option 2); and 3% - 6% of the estimated number of non-serviced accommodation providers (an additional 50% of applicants compared to Option 2) for the first three years due to a gradual take-up. This is 1,088 - 2,191 in the serviced sector; and 884– 1,768 in the non-serviced sector, a total of 1,972-3,959 beneficiaries in the first year, rising to 5,646-10,990 after 3 years.

COSTS

COST TO BUSINESS (OIOO)

Currently Unlicensed Premises

- 65) Establishments that are currently not licensed to sell alcohol and choose to issue an ASN will have to pay the cost of obtaining and possessing a personal licence as well as the ASN fee (estimated to cost around £72-£115). The cost of a personal licence and the administrative burden has been estimated to be £308 (Annex A). Therefore the total cost is £380-£423. Table 5 in Annex C shows the take up each year and the volume of establishments having to pay an annual fee.
- 66) In the first year, the cost to business of the fees is estimated to be **£0.8m-£1.7m**, falling to £0.7m-£1.4m in the third year. From the sixth year onwards those premises that applied for a licence 5 years ago will have to pay the Ancillary fee again at a cost of £0.1m-£0.5m in year 6 (see Table 6 in Annex C for full breakdown).

Licensed premises

- 67) Those establishments which are already licensed to sell alcohol but wish to become ancillary sellers and therefore exempt from the premises licence fee will have to pay an application fee.
- 68) By making the decision to pay the full cost of a premises licence and personal licence, it is assumed that these licensed premises are making significant amounts of profit from alcohol sales and therefore will not choose to become “Ancillary sellers” due to the restrictions it places on their ability to sell alcohol.

COST TO THE PUBLIC SECTOR

- 69) Local implementation, communication and familiarisation: Licensing authorities would need to administer ASNs. There will be a small familiarisation cost. If implemented, licensing authorities may wish to communicate these policies in their area, most likely on an ad hoc basis (for example, if a person seeks to make an application for a premises licence but could consider instead issuing an ASN). The Home Office will communicate the changes via its website; to leading trade bodies; and through the Guidance issued under s.182 of the 2003 Act. Therefore, it is expected that the communication cost to licensing authorities will be minimal. As set out above, applications will be accompanied by a fee based on cost-recovery.
- 70) Licensing authorities will have to process applications to remove the requirement to have a personal licence holder. However this cost will be offset by the revenue from licence fees which will be set at an appropriate level to cover the costs to licensing authorities. Therefore the net effect is zero.
- 71) Enforcement: Monitoring and enforcement of the 2003 Act is conducted by licensing authorities, the police, and, in some cases, by Trading Standards. This proposal may result in a very slight increase in the number of premises selling alcohol lawfully. The circumstances of the sales, and the amounts sold, will be strictly limited. The licensing authority will continue to conduct a test in each case, through the application process, before an additional authorisation is granted. It is therefore expected that enforcement activity will be extremely limited. If hearing and reviews are necessary, they will occur within the fee-funded regime of the 2003 Act. Appeals to the magistrates' courts, relative to hearings and reviews, are extremely rare for existing licences, and are expected to be even more so in respect of premises licences and ASNs held by "ancillary sellers".
- 72) Increased crime and health costs: Like Option 2, Option 3 is primarily aimed at reducing the bureaucratic burdens and costs on businesses. In this it is fundamentally different from other proposals in the Alcohol Strategy aimed at reducing the harms caused by excessive alcohol consumption. As for Option 2, there is nevertheless a risk that Option 3 may lead to very small increase in the overall consumption of alcohol given the increased opportunities to sell it. Again, there is no data on the typical consumption associated with ancillary sellers so we cannot quantify this. However, since the average increase in profits that we have estimated is very low (less than £1,500 per year, see 'benefits' section), we believe that the associated increase in consumption would also be small.
- 73) Alcohol consumption is associated with crime, particularly violent crime, and ill health^[2]. 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. However (as explained in the corresponding section for Option 2) given the lack of evidence on the consumption effect of this proposal and the different nature and application of the SchARR model¹⁹, it is not currently possible to model these harms. We are carrying out a technical consultation with licensing authorities and key partners and will seek to gather evidence on the likely take up of the proposed new Ancillary Sales Notice (and indication of the consequent effect on consumption) as part of this work. This will be used to inform any final stage Impact Assessment.
- 74) In addition to the very limited activities permitted, we consider that this risk is mitigated by the fact that the type of premises affected are not those typically associated with alcohol-related crime, and that the safeguards provided by the application process and the ASN (such as the applicability of offences at the premises) will apply. In rare cases where problems emerge, a process will exist whereby the ASN could be revoked.

BENEFITS

BENEFITS TO BUSINESS (OIOO)

[2] See impact assessments on minimum unit pricing and ban on multi-buy promotions for a summary of the evidence.

¹⁹ 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.

- 75) As for Option 2, it is assumed that a business will choose to issue an ASN and become an ancillary seller if it is economically viable to do so. In other words, that they will either break-even or make positive profits.
- 76) Currently, a business has made the decision to not sell alcohol because the potential profits made by selling alcohol do not cover the cost of a premises and personal licence (i.e. their potential profits from selling alcohol are below the cost of a premises and personal licence). By removing the cost of a premises licence it is now £717-£1,305 cheaper to be an Ancillary seller in the first year. We assume that those businesses that could make between £0-£717(low estimate) or £0- £1,305 (high estimate) profit after paying the premises licence will now see it as economically sensible to do so. The average profit is expected to be the midpoint of this, at £359-£653 per year. These are the profits on top of those necessary to offset the cost of a personal licence and the administrative burden i.e. to break-even. The monetised benefits therefore include the profit to cover the cost of the licence as well as the additional profit (which equals £738-£1,075 per establishment per year). This may appear to underestimate the potential profits. However, an ancillary seller who expects to make a significant profit can obtain a licence under the current arrangements.
- 77) It is important to note that we are assuming that businesses are focusing on the cost for the first year only due to cash flow problems and uncertainty about the future. If they were to look at the cost of a licence over a longer period, the required annual profit to break even would be a smaller.
- 78) It is estimated that business will benefit from **£1.5m-£4.3m** in increased profit (which includes the cost of the fees) in the first year, rising to **£4.2m-£11.8m** from year 3 onwards as take-up increases. (See Table 7 in Annex C for full breakdown)

Non-monetised benefits of Option 3.

- 79) It is possible that some premises that have a premises licence currently may opt to take advantage of Option 3. For them, the benefit would be that they do not have to pay an annual fee (an average saving of £772 over five years); minus the estimated cost of issuing an ASN (£89 - £132), or £640 - £683. However, we have no evidence to suggest how many licensed premises will find this worthwhile, given that the ASN may be more restrictive than their current premises licence.
- 80) If more ancillary sellers are encouraged to provide alcohol as part of a wider service, then consumers may benefit from an improved service.

ONE-IN-ONE-OUT OIOO

- 81) Option 3 has an impact on business and is therefore in scope for “One in One Out”.

COSTS (INs)

- 82) The estimated annual cost to business based on administrative costs of making applications and the annual fee to sell alcohol for ancillary sales is estimated at **£0.4m** on average per year.

BENEFITS (OUTs)

- 83) The estimated profit to business from alcohol sales is estimated at **£7.2m** on average per year.

NET EFFECT (OIOO)

- 84) In the first year of implementation the net effect is estimated to equal **£0.7m-£2.6m** increasing to **£4.2m-£11.8m** by the third year. (See Tables 4-7 in Annex C for full breakdown).

Net Effect	Low	High
Y1	£0.7m	£2.6m
Y2	£2.1m	£6.6m

Y3	£3.5m	£10.4m
Y4	£4.2m	£11.8m
Y5	£4.2m	£11.8m
Y6	£4.0m	£11.4m
Y7	£4.0m	£11.4m
Y8	£4.0m	£11.5m
Y9	£4.2m	£11.8m
Y10	£4.2m	£11.8m

Risks of Option 3

- 85) There is a slight risk that accommodation providers who do not hold premises licences may sell alcohol under their ASN in ways that undermine the licensing objectives, or are criminal. However, the fact that activities permitted will be clearly defined will make this highly unlikely. The existing safeguards of a personal licence will apply, including the possession of an accredited licensing qualification. In rare cases where problems emerge, a process will exist whereby the ASN could be revoked. As described above, any review that is necessary would be funded through the ASN fee.
- 86) There is a risk that take-up has been underestimated, given the potential cost savings.
- 87) Separately, there is a risk that premises whose activities are inappropriate for an ASN may attempt to apply for or issue one. This would mean a higher than anticipated number of hearings and reviews, and thus a higher fee, deterring those that do wish to use an ASN responsibly. We would work with licensing authorities to issue clear guidance to licensing authorities and applicants to avert this risk.
- 88) There is a modelling risk in that we have assumed that businesses focus on the cost of a licence in year one only, not spreading the cost over multiple years. If this is not the case, we may have overestimated the profits for business. On the other hand, we have also assumed that businesses are purely rational enterprises. In reality some businesses may be put off by the current process required to sell alcohol even if they could make a profit from this activity.

Preferred Option

- 89) There is no preferred option at the pre-consultation stage. Option 2 clearly has smaller likely benefits. Given that it would introduce a process that is similar to an existing process, we can predict various aspects of the likely effect with a degree of confidence. Option 3 clearly has larger benefits for business, but would be a radical change in the licensing regime of the 2003 Act, and therefore contains more unknowns.

90) Summary and Recommendations

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

Option	Costs	Benefits
2	£14.7m (PV over 10 years) Cost to business for licence application and fee to become an 'Ancillary Seller'	£61.2m (PV over 10 years) Profits to "Ancillary sellers" from alcohol sales
	Cost to any existing licence holders who choose to become 'Ancillary Sellers', possible increase in crime and health harms. (not quantified)	Benefits to consumers; and net benefit to expected any existing licence holders who choose to become 'Ancillary sellers' (not quantified)
3	£4.0m (PV over 10 years) Cost to business for licence application and fee to become an	£61.3m (PV over 10 years) Profits to "Ancillary sellers" from alcohol sales

	‘Ancillary Seller’	
	Cost to any existing licence holders who choose to become ‘Ancillary Sellers’, possible increase in crime and health harms. (not quantified)	Benefits to consumers; and net benefit to expected any existing licence holders who choose to become ‘Ancillary sellers’ (not quantified)

This Assessment suggests that consultation is required before determining options for local discretion on de-regulating LNR. Options 2 and 3 will therefore form part of the Government’s forthcoming public consultation on the delivery of the Alcohol Strategy.

- 91) **Enforcement:** Monitoring and enforcement of the Licensing Act 2003 is conducted by licensing authorities, the police, and, in some cases, by Trading Standards. These proposals may result in a very slight increase in the number of premises selling alcohol lawfully. The circumstances of the sales, and the amounts sold, will be strictly limited. Before any additional authorisation is granted, the licensing authority will continue to conduct a test in each case, through the application process. It is therefore expected that enforcement activity will be extremely limited. If hearing and reviews are necessary, they will occur within the fee-funded regime of the Licensing Act 2003. Appeals to the magistrates’ courts, relative to hearings and reviews, are extremely rare for existing licences, and are expected to be even more so in respect of premises licences and ASNs held by “ancillary sellers”.
- 92) **Implementation:** Both measures would require primary legislation; with details (such as forms) set out in secondary legislation.
- 93) **Monitoring and Evaluation:** The Government will consider the appropriate review process through the forthcoming consultation.
- 94) **Feedback:** In order to accurately assess the effectiveness of Option 2 and Option 3, the Government will seek views from those who will be most affected by the policy. The Government will also invite views on whether the scope of either option can be expanded to categories of premises or supply with equivalent characteristics. The Home Office will therefore seek feedback from the hospitality industry and its representatives, the police, licensing authorities, responsible authorities, resident groups and other Government departments when considering these measures. This could be achieved by regular meetings between those organisations affected and Government officials as well as technical consultation groups.

Annex A: Estimated cost of obtaining a personal licence.

95) To apply for a personal licence, the applicant must pay the fee (currently £37), and fill in the form, including the provision of an endorsed photograph. A study in 2008²⁰ estimated that this took an average of an hour. The 2008 study²¹ also suggested £16.23 per hour was a reasonable estimate of the average hourly cost of a hospitality industry manager's time. However, figures from the Office of National Statistics indicate that the average hourly salary plus overheads costs (at an assumed 21%) for a bar manager is £11.62²². For the purpose of calculating the costs of applying for a personal licence, we will use the ONS figure, because personal licences are acquired by a cross-section of staff, including junior managers as well as owner operators.

Estimated cost of licence application itself is £37 + £11.62.

96) One of the criteria is the provision of a criminal records disclosure. *The fee is £25²³.*

97) Another of the criteria is the possession of an accredited qualification: Qualifications are provided commercially by individual education providers, and the cost varies. Information provided by the Awarding Bodies indicates that the average price is approximately £120 + VAT (£141)²⁴. Courses are typically delivered over an eight hour day. An eight hour day at £11.62 per hour is £93.

Estimated cost of obtaining accredited qualification is £141 + £93.

Table 1: Summary of costs of obtaining a personal licence

Process	Apply for personal licence	Obtain criminal records disclosure	Obtain accredited qualification	Total
Fee or price	£37	£25	£141	
Administrative cost (at £11.62 per hour)	£11.62		£93	
Total cost	£53	£25	234	£308

Estimate total cost of obtaining personal licence is £308

²⁰ "Legislative reform orders: proposals to introduce a simplified process for minor variations; and remove certain requirements at community premises"
<http://webarchive.nationalarchives.gov.uk/20100407120701/http://www.culture.gov.uk/images/consultations/LicensingconsultationJuly2008minorvar.pdf> page 41.

²¹ See footnote above.

²² This is the median hourly wage for publicans and managers of licensed premises (on-trade) managers and directors in retail and wholesale (off-trade) and staff in the retail and pub sectors. Data was obtained from the 2011 Annual Survey of Hours and Earnings - <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-256648>

²³ See Disclosure Scotland: <http://www.disclosurescotland.co.uk/apply-online/>

²⁴ The bodies providing this information requested that detailed information not be published, as it is commercially sensitive.

Annex B: estimated cost of obtaining a premises licence

98) The 2008 study²⁵ estimated that the range of additional administrative costs in applying for a new licence (excluding fees) was £385 - £950, with the lower range reflecting a relatively straightforward application and the upper range representing the costs that may be additionally incurred in more complicated and costly one. The administrative processes (which have remained broadly the same in most cases) and the costs as calculated in 2008 are set out in Table 2 and Table 3. Again, they were based on an hourly rate of £16.23 per hour (equivalent to 16.96 in 2010/11 prices). As noted above, this is higher than the hourly rate for a bar manager (£11.62). For the administrative costs of applying for a premises licence, we will use this slightly higher hourly figure that was used previously, because compliance with licensing requirements is frequently carried out by the licence holder, who may be the business owner or (in businesses with multiple outlets) a centrally-employed licensing expert, rather than a bar manager.

Table 4: 2008 estimates of administrative costs of licensing applications (more straightforward application)

	Lower estimate of cost	Upper estimate of cost	Mid-range
Complete and send an application form	£15	£80	£48
Advertise the proposed change in a local newspaper/ circular	£200	£400	£300
Copy documents to responsible authorities	£20	£40	£30
Display notice at premises	£5	£10	£8
Total			£385

Table 5: 2008 calculations of administrative costs of licensing applications (additional costs of more complicated application)

	Lower estimate of cost	Upper estimate of cost	Mid-range
Supplying a plan of the premises	£25	£500	£263
Obtaining professional legal help	£100	£500	£300
Total			£563

Developments since 2008

99) **Newspaper advertisements:** More recent evidence suggests that the average cost of meeting the requirement to advertise in a newspaper or circular is higher today than was estimated in 2008. We asked licensing officers how much it costs in their areas today. The responses were: £800 - £900 (average £850); £400; £332; £250; £300 - £500 (average £400) and £88 - £309 (average £199). The average of these six figures is £405. Therefore, it appears that the average cost is now higher than the 2008 estimate. To reflect a degree of uncertainty about the average cost of newspaper adverts, we will use a range of £350 - £450.

100) **Electronic Application:** licensing authorities are now under a duty to enable applications for licences by electronic means. This may mean that the cost of completing and sending the form itself is slightly reduced. (We will not attempt to monetise this small cost). The main advantage to those taking advantage of electronic application is that they are not required to copy their application and plan of the premises to Responsible Authorities. Figures provided by BusinessLink on the use of the central Electronic Licensing Management System (ELMS) in respect of the 6 months from January

²⁵ See note 1 above.

2011 to June 2011 indicate that around 15% of the relevant applications are now completed through ELMS. It is thought that around 50 LAs provide digital processing through their own systems, rather than ELMS. If we assume that they receive online applications in the same proportion as ELMS users, the total percentage of applications received online is 18%. Therefore, the average cost of copying to applications to Responsible Authorities is £31 – 18% = £25.

- 101) **Other costs:** for the other costs, we have uprated to 2010-11 prices, including the additional costs of a more complicated application, estimated as £563 in 2008, £588 in 2010/11 prices.
- 102) The affect of these changes to the estimates are set on in Table 4.

Table 6: Revised calculations of administrative costs of licensing applications (straightforward application)

	Mid-range (2008)	Revised mid-range
Complete and send an application form	£48	£50
Advertise the proposed change in a local newspaper/ circular	£300	£400
Copy documents to responsible authorities	£30	£25
Display notice at premises	£8	£8
Estimated total	£385	£482

Estimated administrative cost of licensing applications is £482 - £1,070

Average licence fee

- 103) Application and variation fees for club premises certificates and premises licences vary from £100 to £1,905, depending on the non-domestic rateable value (NDRV) band of the premises. However, the great majority of premises are in the lower bands. During the last year that figures on licensing fees were collected by fee bands (2008-09), the average application fee was £223 (the average annual fee was £183). Licence fees levels remain the same. Since then, however, there has been a re-evaluation of NDRV nationwide. Some premises moved into lower bands, but the premises were more likely to move into higher bands. The estimated net change in licence fee income was +5.5%²⁶. The estimated average application and variation fee is therefore £235 and estimated net administration and fee costs of application are £717 - £1,305.

²⁶ Figures developed using modelled estimates from the 2009-10 licensing stats bulletin http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/research/Licensing_Statistical_Bulletin_2009.pdf and estimates of fee band shifts provided by the Valuation Office Agency.

Annex C**Option 2****Table 1**

Take-up																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	1,088	1,460	2,112	2,833	3,073	4,124	3,073	4,124	3,073	4,124	3,073	4,124	3,073	4,124	3,073	4,124	3,073	4,124	3,073	4,124
Non-serviced accommodation	-	1,768	-	3,430	-	4,992	-	4,992	-	4,992	-	4,992	-	4,992	-	4,992	-	4,992	-	4,992
Total	1,088	3,228	2,112	6,263	3,073	9,116	3,073	9,116	3,073	9,116	3,073	9,116	3,073	9,116	3,073	9,116	3,073	9,116	3,073	9,116

Table 2

Licence Application Fee (£k)																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	780	1,910	734	1,790	690	1,680	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-serviced accommodation	0	2307	0	2,170	0	2,040	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	780	4,210	734	3,960	690	3,720	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 3

Annual Licence Fee (£k)																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	0	0	210	282	408	547	593	796	593	796	593	796	593	796	593	796	593	796	593	796
Non-serviced accommodation	0	0	0	341	0	662	0	963	0	963	0	963	0	963	0	963	0	963	0	963
Total	0	0	210	623	408	1,210	593	1,760	593	1,760	593	1,760	593	1,760	593	1,760	593	1,760	593	1,760

Table 4

Annual Revenue (£k)																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	948	2,130	1,840	4,130	2,680	6,020	2,680	6,020	2,680	6,020	2,680	6,020	2,680	6,020	2,680	6,020	2,680	6,020	2,680	6,020
Non-serviced accommodation	0	2,580	0	5,000	0	7,280	0	7,280	0	7,280	0	7,280	0	7,280	0	7,280	0	7,280	0	7,280
Total	948	4,710	1,840	9,140	2,680	13,300	2,680	13,300	2,680	13,300	2,680	13,300	2,680	13,300	2,680	13,300	2,680	13,300	2,680	13,300

Option 3**Table 5**

Take-up																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	1,088	1,947	2,112	3,739	3,073	5,387	3,073	5,387	3,073	5,387	3,073	5,387	3,073	5,387	3,073	5,387	3,073	5,387	3,073	5,387
Non-serviced accommodation	1,179	1,768	2,310	3,430	3,396	4,992	3,396	4,992	3,396	4,992	3,396	4,992	3,396	4,992	3,396	4,992	3,396	4,992	3,396	4,992
Total	2,267	3,715	4,422	7,169	6,470	10,379	6,470	10,379	6,470	10,379	6,470	10,379	6,470	10,379	6,470	10,379	6,470	10,379	6,470	10,379

Table 6

Licence Application Fee (£k)																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	413	926	388	842	365	767	0	0	0	0	78	252	74	229	69	209	0	0	0	0
Non-serviced accommodation	336	747	325	702	316	660	0	0	0	0	64	203	62	191	60	180	0	0	0	0

Total	749	1,670	714	1,550	681	1,430	0	0	0	0	142	455	135	420	129	388	0	0	0	0
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Table 7

Annual Revenue (£k)																				
	Y1		Y2		Y3		Y4		Y5		Y6		Y7		Y8		Y9		Y10	
Serviced accommodation	803	2,360	1,560	4,500	2,270	6,450	2,270	6,450	2,270	6,450	2,270	6,450	2,270	6,450	2,270	6,450	2,270	6,450	2,270	6,450
Non-serviced accommodation	652	1,900	1,290	3,700	1,900	5,370	1,900	5,370	1,900	5,370	1,900	5,370	1,900	5,370	1,900	5,370	1,900	5,370	1,900	5,370
Total	1,460	4,260	2,840	8,190	4,170	11,820	4,170	11,820	4,170	11,820	4,170	11,820	4,170	11,820	4,170	11,820	4,170	11,820	4,170	11,820