

<b>Title: Licensing Act 2003: Consultation on removing the duty to advertise licensing applications in a newspaper or circular</b>  <b>IA No:</b>  <b>Lead department or agency:</b> Home Office  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 19/07/2011		
	<b>Stage:</b> Consultation		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Primary legislation		
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<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> 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?
£1.9m	£1.9m	-£7.3m	Yes   OUT

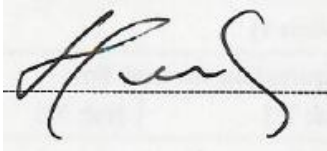
**What is the problem under consideration? Why is government intervention necessary?**  
 Under the Licensing Act 2003, certain licensing applications (such as new applications for premises licences) need to be advertised in a local newsletter, circular or similar document circulating in the area in which the premises are situated. The Government has recently introduced measures to ensure that these applications are advertised on the website of the relevant licensing authority. The existing duty to advertise on a physical notice at the premises will remain. Therefore, the Government is consulting on whether the relatively burdensome duty to advertise them in a newspaper or circular is still necessary.

**What are the policy objectives and the intended effects?**  
 To reduce the unnecessary bureaucratic burdens of the licensing process, without undermining the public protection objectives of the licensing system.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 The options are:  
 Option 1: Do nothing (retain the duty to advertise applications in a newspaper or circular); or  
 Option 2: Remove the duty to advertise applications in a newspaper or circular.

<b>Will the policy be reviewed? Yes/NO If applicable, set review date:</b> TBC following consultation					
Does implementation go beyond minimum EU requirements?			Yes		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>		<b>Non-traded:</b>

*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.*


 Date: 27/7/12

Signed by the responsible Minister: Lord Henley

# Summary: Analysis & Evidence

# Policy Option 2

Description: Remove the duty to advertise applications in a newspaper or circular

## FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: 1.3	High: 2.6	Best Estimate: 1.9

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	6.2	53.2
High	Optional	7.9	68.4
Best Estimate		7.1	60.8

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

The reduction in income to newspaper and circulars if licensing applicants no longer had to advertise in them at an estimated annual cost of between £6.2m-£7.9m This is assuming that all licence applications are no longer advertised in newspapers or circulars.

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

N/A

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	6.3	54.5
High	Optional	8.2	70.9
Best Estimate		7.3	62.7

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

The saving (to premises licence holders; members' clubs holding club premises certificates; and applicants for premises licences and club premises certificates) of no longer having to advertise applications in newspapers and circulars is estimated to be between £6.2m-£7.9m per year. The administrative cost saving of no longer having them published is estimated to be £0.1m-£0.3m per year.

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

The administrative saving for licensing authorities in no longer having to check that advertisements have been published in the prescribed manner.

### Key assumptions/sensitivities/risks

### Discount rate (%)

There is a risk that the public protection objectives of the Licensing Act may be undermined because persons who might otherwise be motivated to make representations by a local newspaper or circular may not have access to the internet and not live sufficiently near to see the physical notice. However, there is a low risk that this will have a negative impact on the licensing objectives. The total cost of the current requirement to advertise in newspapers is based on licensing data from 2008-09 and 2009-10, on the assumption that this reflects future licensing activity. 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.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs:	Yes	OUT
Benefits: 7.3		
Net: 7.3		

# Evidence Base (for summary sheets)

## A. Strategic Overview

- 1) **Background:** On 23 March 2012, the Government published its Alcohol Strategy, setting out a range of measures to tackle the issue of excessive alcohol consumption and its associated harms<sup>[1]</sup>. The Alcohol Strategy 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.

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.

- 2) **Groups Affected**

Licensing authorities

Licensing authorities are responsible for the administration of the 2003 Act; and are currently responsible for checking that advertisements have been published.

Applicants for new licences and club premises certificates; and variations to those licences and certificates

They are currently required to advertise in a newspaper or circular.

Newspaper publishers

Currently receive income for mandatory advertisements.

Persons who may wish to make representations

Currently may learn of licensing applications from newspapers, notices at the premises, or online information published by the licensing authority.

- 3) **Consultation**

**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, Her Majesty’s Treasury, HM Revenue and Customs, the Department for Culture, Media and Sport, and the Department for Communities and Local Government.

**Public Consultation:** This proposal was put forward by respondents to the “Rebalancing the Licensing Act” consultation, and the Red Tape Challenge. 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.

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

## **Problem under consideration:**

- 4) Partners in local government, and representatives of the holders of premises licences and club premises certificates, have repeatedly raised the requirement to advertise in newspapers or circulars as an excessively burdensome and ineffective requirement. Given that licensing authorities have a duty, since 25 April 2012, to advertise applications on their website, the necessity of this requirement merits reconsideration.

## **Rationale for intervention**

- 5) 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 and Social Responsibility Act 2011, is appropriate. However, a well-run and diverse hospitality industry has the potential to boost growth and representatives of this industry have highlighted concerns as part of the Red Tape Challenge about some of its administrative burdens. The Government is committed to removing unnecessary regulation (with particular regard to local organisations such as community and arts groups and schools, and businesses that are not connected to alcohol-related problems) and to exploring further how it can make the day to day process of licensing as easy as possible for all responsible businesses. The policy objective behind this proposal in this Impact Assessment is to reduce the administrative burdens of the Licensing Act 2003 (the 2003 Act) without undermining the licensing objectives<sup>[2]</sup>.

## **Options**

- 6) The options are:

**Option 1:** Do nothing (retain the status quo of the duty to advertise applications in a newspaper or circular).

**Option 2:** Remove the duty to advertise applications in a newspaper or circular.

### **Option 1: Do nothing**

- 7) The costs of Option 1 are the same as the benefits of Option 2, and vice-versa.
- 8) **Risks of Option 1:** There is a risk that the number of local newspapers will fall and lower competition in the sector, and that the cost of advertisement may rise. There is a risk that, with the growing use of the internet, and with applications now being advertised at the premises, very few people will be motivated to make relevant representations by advertisement in newspapers.

### **Option 2: Remove the duty to advertise applications in a newspaper or circular.**

- 9) **Monetised and non-monetised costs of Option 2:** The loss of advertising revenue to newspapers and circulars is an indirect effect of removing the legislative requirement, £6.2m - £7.9m, as described below. The purpose of advertising applications is to enable members of the public who might be affected by applications to consider them and potentially make representations that relate to the licensing objectives. A potential cost of removing the

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<sup>[2]</sup> The four licensing objectives (which all have equal status) are: the prevention of public nuisance; the prevention of crime and disorder; public safety; and the protection of children from harm.

requirement of newspaper advertisements is that licensing applications would be less widely advertised to those who might be enabled them to make “representations”.

However, licensing officers consistently report that newspaper advertisements are extremely ineffective in motivating representations in their area. Representations are, reportedly, much more likely to be motivated by the physical notice at the premises; or by other sources of information, such a local campaign or information provided by the licensing authority (for example, on their website). Although some licensing authorities already advertised licensing applications on their website, they have been under a duty to do so since 25 April 2012. This is likely to further diminish the proportion of representations that are motivated by newspaper advertisements.

## **Monetised benefits of Option 2:**

10) **Number of adverts in newspapers or circulars:** Applicants are required to place advertisement in newspapers or circulars (which must meet specified requirements) when they make an application for the grant of a premises licence, provisional statement, or club premises certificate; or when they apply for a “full variation” of a premises licence or club premises certificate.

In the most recent year for which figures are available, 2009-09<sup>1</sup> and 2009-10<sup>2</sup>, the number of each application was as follows:

Table 1: Number of newspaper advertisements

<b>Application type:</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Estimated typical number of adverts annually</b>
New application for a premises licence	10,600	9,900	10,250
Variation of a premises licence	7,500	6,900	6,900
New application for a club premises certificate	210	131	170.5
Variation of club premises certificate	320	300	300
Application for a provisional statement	27	Not available	27
<b>Total</b>			<b>17,648</b>

- For applications to grant a new licence or certificate, we have estimated the average annual number of applications by using an average of the two most recent years. Although the decrease in the number of applications might indicate an expected further decrease, it is also possible that, over the next ten years, the number of applications rises again as the economy improves.
- For applications to vary, we have used the more recent, lower figure. This is because an alternative form of variation was introduced during 2009-10, the “minor variation”<sup>3</sup>. This is cheaper and simpler than the full variations process, and it is likely that licence and certificate holders will use it whenever they can, in preference to the full variation. It is likely that, therefore, the lower 2009-10 figure will better reflect the number of variation applications going forward.
- The number of provisional statements was not collected for the year 2009-10.

<sup>1</sup> [http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/research/Licensing\\_Statistical\\_Bulletin\\_2009.pdf](http://webarchive.nationalarchives.gov.uk/+http://www.culture.gov.uk/images/research/Licensing_Statistical_Bulletin_2009.pdf)

<sup>2</sup> [http://www.culture.gov.uk/images/research/Licensing\\_Statistics\\_Bulletin2010.pdf](http://www.culture.gov.uk/images/research/Licensing_Statistics_Bulletin2010.pdf)

<sup>3</sup> A minor variation does not require advertisement in a newspaper or circular. There were 2,700 applications..

***The expected number of adverts annually is 17,648.***

**11) Cost of an advertising in a newspaper or circular.**

- a) **Cost of advertisement:** A previous study, in 2008, included an estimate of the cost of the necessary advertisements in newspapers and circulars as “£200 - £400”<sup>4</sup>. 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.
- b) **Administrative cost:** In addition to the cost of the advertisement, there are also small administrative costs for the applicant in preparing the advertisement and arranging for its publication. The information will still have to be set out on a notice at the premises, so this is the marginal cost of preparing and arranging for the publication of the advert. Having discussed with trade representatives, we consider that half an hour to an hour of administrative time is a reasonable estimate. The 2008 study<sup>5</sup> also suggested £16.23 per hour was a reasonable estimate of the average hourly cost of a hospitality industry manager’s time, suggesting £8.48 - £16.96 per advert in 2010/11 prices. ONS figures indicate that the average hourly salary plus overheads costs (at an assumed 21%) for a bar manager is £11.62<sup>6</sup>. However, we have opted to use the 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 2: Total estimated annual costs to applicants of requirement to advertise in newspapers**

	<b>Est. annual number of adverts</b>	<b>Est. average cost per advert</b>	<b>Est. cost annually in England and Wales</b>
<b>Cost of advert</b>	17,648	£350 - £450	£6.2m-£7.9m
<b>Administrative cost</b>	17,648	£8.48 - £16.96	£0.1m-£0.3m
<b>Net estimated cost</b>			£6.3m-£8.2m

The estimated total costs of the requirement to advertise in newspapers and circulars is **£6.3m - £8.2m**

<sup>4</sup> “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>

<sup>5</sup> See footnote above.

<sup>6</sup> This is the median hourly wage for police officers (sergeant and below) and local government administrative occupations (licensing officers) and business and public service associate professionals (Trading Standards Officers). Data was obtained from the 2011 Annual Survey of Hours and Earnings. <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-256648>

- 12) **Non-monetised benefits of Option 2:** For the licensing authority, there is a small administrative cost, currently, in checking that advertisements have been published and meet the legislative requirements. However, licensing officers tell us that this is not carried out in a burdensome way. For example, the applicant is merely invited to supply a copy of the advertisement with the application, with occasional checks of the newspaper or circular.
- 13) **Risks of Option 2:** There is a risk that the public protection objectives of the Licensing Act may be undermined because persons who might otherwise be motivated to make representations by a local newspaper or circular may not have access to the internet and not live sufficiently near to see the physical notice. However, there is a low risk that this will have a negative impact on the licensing objectives, given the anecdotal evidence from licensing officers that extremely few representations are motivated by advertisements in newspapers and circulars. The total cost of the current requirement to advertise in newspapers is based on licensing data from 2008-09 and 2009-10, on the assumption that this reflects future licensing activity.

### **Implementation costs of Options 2**

- 14) There are no implementation costs of Option 2.

### **Impact on small firms**

- 15) As set out in the Impact Assessment for the Police Reform and Social Responsibility Act 2011, around 81% of alcohol retailers are small firms (with fewer than 50 employees). The vast majority of these have fewer than 20 employees (74% of the sector). This analysis will include most of the premises affected by the current proposal. The other sectors affected by the requirement to advertise licensing applications in newspapers and circulars will be, in particular, late night takeaways and (not-for-profit) members' clubs. The burdens of Option 1, and the benefits of Option 2, therefore largely fall on small firms. Small firms therefore make a significant proportion of the beneficiaries of Option 2.

### **“One in one out” (OIOO):**

- 16) Newspapers and circulars will lose the income that they currently generate from advertisements required under the Licensing Act 2003 (estimated to be £6.2m - £7.9m). However, this is an indirect affect of removing the regulatory requirement to advertise, and out of scope for OIOO purposes.

### **Preferred option**

- 17) The preferred option is Option 2. The net effect is a £0.1m - £0.3m reduction in administrative burdens. For the purposes of “one in one out”, Option 2 is an “out” of **£6.3m - £8.2m**.