

Title: Consultation on simplifying the duties of personal licence holders under the Licensing Act 2003 to renew their licences

Impact Assessment (IA)

IA No:

Date: 25 July 2012

Lead department or agency:

Stage: Consultation

Home Office

Source of intervention: Domestic

Other departments or agencies:

Type of measure: Primary legislation

DCMS (responsible for the Regulated Entertainment under the LA2003)

Contact for enquiries:

Ann Oldroyd
ann.oldroyd@homeoffice.gsi.gov.uk

Summary: Intervention and Options

RPC Opinion: RPC Opinion Status

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, One-Out?	Measure qualifies as
£32.7m	£32.7m	-£3.7 m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

Under the Licensing Act 2003 ("the 2003 Act"), those who authorise the sale of alcohol by retail in the on- or off-trade must have a personal licence. Personal licence holders (PLHs) are required to renew their licences every ten years. This is in addition to other renewal requirements, for example, for changes of address. The ten year renewal requires PLHs to reapply to the licensing authority, by paying a fee and paying for and under-going a Criminal Records Bureau (CRB) check. As part of efforts to generate economic growth, the Government is committed to reducing unnecessary administrative burdens on businesses and will consult on whether to change or simplify the processes for personal licences, including the renewals process.

What are the policy objectives and the intended effects?

The key policy objective is to reduce the unnecessary bureaucratic burdens of licensing processes, without undermining the public protection objectives of the licensing system. The original intention behind a ten year renewal process was to provide a safeguard and a mechanism for identifying PLHs, who had got convictions for relevant criminal offences (which could - under the licensing system - result in their licences being revoked) but who had failed to declare them in contravention of the law. Implementing this proposal would remove this safeguard but the rationale for the proposal is that other safeguards already exist to achieve this aim, including random police checks and the rights of the courts to order PLHs to forfeit their licences.

What policy options have been considered, including any alternatives to regulation?

Please justify preferred option (further details in Evidence Base)

The options are:

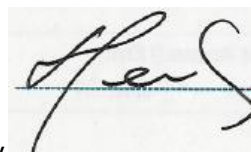
Option 1: Do nothing (retain status quo under which, for example, PLHs must renew their licences every 10 years).

Option 2: Simplify the processes and duties on PLHs, including, for example, by removing their requirement to renew licences on a ten year basis.

Will the policy be reviewed? Yes/No **If applicable, set review date:** To be confirmed following consultation.

Does implementation go beyond minimum EU requirements?			Yes / No / N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded:		Non-traded:

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: to simplify the duties of personal licence holders under the Licensing Act 2003 to renew their personal licences to authorise the sale of alcohol

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 2010	Net Benefit (Present Value (PV)) (£m)		
			Low: 30.7 m	High: 34.7m	Best Estimate: 32.7m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/A	N/A	N/A
High	N/A	N/A	N/A
Best Estimate	0.001	N/A	0.001

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

Minor transition/familiarisation costs for licensing authorities (£1.2k)

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

Informing and implementation costs for licensing authorities.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A	3.4	30.8
High	N/A	3.8	34.7
Best Estimate	N/A	3.6	32.7

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

The saving to PLHs of no longer having to renew their personal licences is estimated to be between £30.8 m and £34.7m in present values over 10 years from 2015 to 2025.

Other key non-monetised benefits by 'main affected groups' Licensing authorities (LAs) i.e. district and unitary councils, will not have the burden of processing routine renewals, particularly in 2015 when over 200,000 personal licences are up for renewal although the costs should be covered by fees in any event.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

The estimates on the numbers of PLHs are based on licensing data from the years between 2005 and the latest available data from 2009-10, as well as police estimates on the numbers of relevant convictions that go unreported to the LA. New data is being collected over the current financial year which means that cost and benefit estimates are subject to change. There is a risk that the public protection objectives of the 2003 Act could be undermined because unscrupulous PLHs who should by law have declared criminal convictions to the LA (and should potentially therefore have had their licences revoked/forfeited) could continue to operate as PLHs. The Government will explore this as part of its consultation process. The Government is consulting on other de-regulatory licensing measures. This means that estimated "outs" are subject to interdependencies and may, at consultation stage, contain "double counting". This will be addressed at implementation stage. For example, the estimated benefit of simplifying administrative processes will not necessarily include businesses that may not need to conduct that process in the future.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: 3.7	Net: 3.7	Yes	OUT

Evidence Base (for summary sheets)

A. STRATEGIC OVERVIEW

A.1 Background

Context

1. The hospitality industry supports over 1.8 million jobs in the United Kingdom; with the alcohol industry contributing around £29bn to the economy each year¹. However, the annual costs of alcohol misuse are estimated at £21bn and alcohol-related crime accounts for nearly 44% of violent crime in England and Wales.²

The Government's Alcohol Strategy and commitments under the Red Tape Challenge

2. 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 harms³. The Alcohol Strategy included a commitment to consult on giving licensing authorities greater freedom to take decisions that reflect the needs of their local communities, 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 the public and businesses were invited to suggest regulations that should be abolished or simplified.
3. The Government is committed to removing unnecessary regulation and exploring how it can make the process of licensing as easy as possible for responsible businesses, whilst continuing to promote the overarching objectives of the Licensing Act 2003 (the 2003 Act) to safeguard public safety and prevent crime and disorder.⁴ The Government intends to carry out a public consultation on the delivery of the Alcohol Strategy in Autumn 2012, including proposals for cutting red tape in the licensing system⁵, 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 not connected to alcohol-related problems. The proposal under consideration in this Impact Assessment (to simplify the processes associated with personal licences regime) goes further than the commitments in the Alcohol Strategy.

Links with other policies arising from the Alcohol Strategy

4. 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 this proposal to simplify the personal licences process in isolation. All impact assessments will be revised following public consultation to reflect the agreed and combined package of measures being taken forward. 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 / or the consultation process. Impact estimates (both costs and benefits) therefore remain subject to change.

¹ The economic outlook for the UK drinks sector and the impact of the changes to excise duty and VAT announced in the 2008 Budget and Pre-Budget Report, Oxford Economics (February 2009)

² As measured by the British Crime Survey (England and Wales), 2010-11 – perceptions of victims of violent crime

³ The Alcohol Strategy is available on the Home Office website: <http://www.homeoffice.gov.uk/publications/alcohol-drugs/alcohol/alcohol-strategy>

⁴ The four licensing objectives (which all have equal status) are set out at section 4 of the Licensing Act 2003 and licensing decisions must be made with a view to their promotion. The four objectives are: the prevention of public nuisance; the prevention of crime and disorder; public safety; and the protection of children from harm.

⁵ Alcohol Strategy, published March 2012, paragraph 4.14

Personal licences: current requirements and arrangements under the Licensing Act 2003

5. Licensing authorities (LAs) – i.e. district and borough councils or unitary councils – administer the 2003 Act. LAs must currently carry out their functions with a view to promoting the licensing objectives (the prevention of crime and disorder; public safety; the prevention of public nuisance; and the protection of children from harm).
6. There are three different kinds of authorisation under which licensable activities can be provided:
 - Premises licence: to use a premises for licensable activities, subject to conditions.
 - Club Premises Certificates: to allow a qualifying club (i.e., a members' club such as a working men's club or a political club) to engage in qualifying club activities, again, subject to conditions on the certificate, and;
 - Temporary Event Notices (TENs), which enable the user to carry out licensable activities without other authorisation. Various limits apply (e.g. can only be used 12 times per year at the same premises).
7. Personal Licences. Because of the above potential impacts of the misuse of alcohol, the 2003 Act recognised that the sale and supply of alcohol carries with it greater responsibility than other licensable activities. The 2003 Act therefore requires that every sale of alcohol under a premises licence must be authorised by a **personal licence** holder (PLH), who must meet certain criteria before being issued with a personal licence (including undergoing a criminal records check and obtaining an accredited qualification).
8. The new system of personal licences (relating to the supply of alcohol) enabled PLHs to move more freely between premises where a premises licence is in force) was introduced under the 2003 Act.⁶ Premises licences are issued by licensing authorities (LAs)⁷ after scrutiny of all applications by the police where the applicant has been convicted of certain offences.
9. Additionally, under the 2003 Act, premises licences with authorisation for alcohol sales must specify the '**Designated Premises Supervisor**' (DPS) for that premises. This person must be a personal licence holder (PLH).⁸ This will normally be the person with day to day responsibility for running the premises. Under the 2003 Act, each licensed premises (199,400 as at 31 March 2010) therefore needs to have a PLH acting as a DPS, but in large premises, such as supermarkets or large bars, there could be several personal licences held by junior managers. We estimate that there are currently 500,000 personal licences in force as at the end of March 2012.⁹ There is a sole exception from the DPS and PLH requirements for lower risk "community premises" (e.g. church halls).
10. PLHs must meet certain conditions in order to be given a licence. This includes: achieving a licensing qualification (accredited by the Secretary of State); being aged 18 or over; not having forfeited a personal licence within five years of making the application and not having been convicted of a relevant or foreign offence¹⁰. In cases where a personal licence applicant has committed a relevant criminal offence¹¹ or foreign offence, the police can object to a licence being granted. In cases, where an existing PLH is found guilty of a relevant criminal offence, they are required by law to notify the LA that granted the licence. The LA must then notify the chief officer of police for its area who may, within 14 days, notify the LA that he

⁶ Licensing Act 2003, came into force on 24 November 2005

⁷ Licensing authorities are usually district or borough councils in two tier local authority areas or unitary councils

⁸ Sections 19(2) and 19(3) of the Licensing Act 2003.

⁹ Based on the numbers as at March 2010 (DCMS statistical bulletin, 2009/10) and the estimated numbers of applications since March 2010 (see paragraph 31 and Table 3 of this Impact Assessment below.

¹⁰ "Foreign offence": an offence (other than a relevant offence) under the law of any place outside England and Wales, Licensing Act 2003, s 113

¹¹ These relevant offences are listed at Schedule 4 of the Licensing Act 2003 (and the Government used the Police Reform and Social Responsibility Act 2011 to add to the list). The list includes: fire arms offences; drugs misuse offences; theft, burglary and forgery; sexual and violent crimes.

considers that the continuation of the licence would undermine the crime prevention objective. If so, the authority must hold a hearing to consider the objection notice unless it is agreed that a hearing is unnecessary and this could lead to the revocation of the personal licence. If an applicant, for the grant or renewal of a personal licence, is convicted of a relevant or foreign offence¹² during the application process they must also notify the licensing authority. Failure by the PLH to do so is a criminal offence (prosecutions details at [Annex A](#)).

11. The criteria for personal licences under the 2003 Act are seen by many as a vital part of the licensing system. Under previous licensing legislation – now obsolete – there was a ‘fit and proper person’ test for anyone wanting to manage a licensed premises. The police, the public, and local licensing officers need to know that there is a responsible and knowledgeable person overseeing alcohol sales under a premises licence and the personal licences system is intended to achieve to this. The Government has however considered whether the system could be simplified further.
12. One possible simplification is to remove the current requirement on a PLH to renew his/her licence on a ten yearly basis. The system is more onerous than current requirements for a driving licence (where a renewal of a photograph is only required) and the risks (see below) of abolishing the requirement are limited and manageable given existing safeguards.

A.2 Groups affected

13. Businesses that sell alcohol from licensed premises and individual personal licence holders (PLHs) who work in businesses engaged in on- and off-trade sales of alcohol from licensed premises. It is a requirement under the 2003 Act that every sale of alcohol must be authorised by a PLH and each licensed premises must have a Designated Premises Supervisor (DPS) who is a PLH. An on-trade or off-trade business is likely to either be managed or owned by a PLH or PLHs will be employed by such businesses, who will frequently arrange for training of their staff to obtain the PLH qualification. There were 434,380 PLHs in force as at 31 March 2010¹³ and this is estimated to be closer to 500,000 as at March 2012 (based on the estimated numbers of applications since March 2010 (see paragraph 31 and [Table 3](#) below).
14. Licensing authorities (LAs). LAs are responsible for the administration of the 2003 Act and, as such, are responsible for processing applications for, granting and revoking and renewing personal licences. The cost of the personal licence fee (and the cost of renewal) is intended to cover their costs. Nevertheless, many foresee the first renewal process in 2015 – ten years since the measure was introduced – as being a particularly onerous administrative burden.
15. The police have a role as responsible authorities under the 2003 Act and are therefore consulted on various processes including personal licence applications. They have a duty to consider personal licence applications and consider objecting in cases where the applicant has a conviction for a relevant offence.¹⁴ They are also responsible for enforcing offences under the 2003 Act, including those in relation to PLHs.
16. The courts. If a PLH is charged with a relevant criminal offence¹⁵, he (or she) is required to notify the Magistrates Court, no later than the first time he/she makes their first appearance in connection with that offence¹⁶. If the PLH is convicted of a relevant offence by a Magistrates

¹² Foreign offence: an offence (other than a relevant offence) under the law of any place outside England and Wales, Licensing Act 2003, s 113

¹³ DCMS National Statistics Bulletin: Alcohol, Entertainment and Late Night Refreshment Licensing in England and Wales, April 2009 – March 2010 (published 29 September 2010) page 10

¹⁴ Licensing Act 2003 lists at Schedule 4 the relevant criminal offences for which revocation of a personal licence must be considered. The list of relevant offences (which was added to by the Police Reform and Social Responsibility Act 2011) includes: fire arms offences; drugs misuse offences; theft, burglary and forgery; sexual and violent crimes.

¹⁵ These relevant criminal offences are listed at Schedule 4 of the Licensing Act 2003. Includes: fire arms offences; drugs misuse offences; theft, burglary and forgery; sexual and violent crimes.

¹⁶ Licensing Act 2003, section 128: Duty to notify court of personal licence. Failure to do so is a criminal offence.

or Crown Court, the court has powers to order forfeiture of the personal licence¹⁷. There is an *existing* statutory duty on the court at that stage (if it has been given notice by the PLH or made aware by some other means) to notify the relevant licensing authority that the PLH has been convicted of a relevant offence and the nature of that offence.¹⁸ The courts are already prompted by Sentencing Guidelines to consider an ancillary order to forfeit a personal licence in cases where the convicted offender is a PLH.

A.3 Consultation

17. Within Government: Cabinet Committee clearances were gained for the publication of the Alcohol Strategy. These clearances include official and Ministerial level discussions with other Government departments, including the Department of Health, Department for Business, Innovation and Skills, Her Majesty's Treasury, HM Revenue and Customs, The Department for Culture, Media and Sport, and the Department for Communities and Local Government.

18. Public Consultation: This Impact Assessment has been developed in advance of a 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.

B. RATIONALE

19. 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 has taken the view that the overall framework provided by Licensing Act 2003 - as amended by the Police and Social Responsibility Act 2011 - is appropriate. However, a well-run and diverse hospitality industry has the potential to boost growth and representatives of this industry have highlighted concerns, as part of the Red Tape Challenge, about some of its administrative burdens. The Government is committed to removing unnecessary regulation (with particular regard to local organisations such as community and arts groups and schools, and businesses that are not connected to alcohol-related problems) and to exploring further how it can make the day to day process of licensing as easy as possible for all responsible businesses. The policy objective behind the proposal in this Impact Assessment is to reduce the administrative burdens of the 2003 Act without undermining the licensing objectives.¹⁹ The Government will therefore consult on whether the task for PLHs of renewing their licences on a ten yearly basis is an onerous one and whether the risks of removing that requirement can be tolerated.

C. OBJECTIVES

20. The objectives are to consider whether it is possible / beneficial to:

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

¹⁷ Licensing Act 2003, s.129 Forfeiture of licence on conviction for relevant offence. The Court can also order forfeiture for up to 6 months. Under s.130, an appellate court has powers to suspend an Order made under s.129.

¹⁸ Licensing Act 2003, s.130

¹⁹ The four licensing objectives: the prevention of public nuisance; the prevention of crime and disorder; public safety; and the protection of children from harm.

D. OPTIONS

21. The options are:

Option 1: do nothing (retain the status quo under which PLHs must renew their licences every 10 years).

Option 2: simplify the processes around personal licences, for example by removing their requirement to renew licences every ten years.

E. APPRAISAL (Costs and Benefits)

General assumptions and data

22. Full data on the administration of the Licensing Act 2003 was collected by the Department for Culture, Media and Sport from LAs between 2006 and 2010. The Home Office intends to resume such data collection for the current financial year and figures may therefore need to be updated if we continue with the proposal and prepare a final stage Impact Assessment. The relevant available data on personal licences is summarised in the table below.²⁰

Table 1 – Summary of personal licence statistics (2005-2010)

Year	PL applications	PLs granted	Applications refused	Surrendered by PLH	Revoked by LA	Forfeited by the courts	Total lost permanently	Suspended by court	Total in force as at 31 March:
2005 -6	n/k	198,167 <i>E</i>	n/k	n/k	n/k	n/k	Nk	n/k	n/k
2006-7	59,000	57,400	440	190	11	13	214	13	255,396
2007-8	50,600	49,900	340	180	21	8	209	15	338,900
2008-9	46,600	45,700	270	320	9	6	335	18	391,600
2009-10	43,500	43,000	220	250	22	12	294	10	434,380
2010-11	Data not collected								
2011-12									
2012-13									

Note.

E = estimate of the total number of personal licences issued between 24 November 2005 (when the Licensing Act 2003 came into force) and the end of March 2006, based on the figures available for 2006/7. See paragraph 23 below.

23. We want to assess the costs to individual PLHs (and businesses) of renewing their personal licences over the ten years from November 2015, when the first batch of personal licences come up for renewal and over the ten years following that. We therefore need to estimate how many are likely to seek renewal in that first year 2015-2016 and how many in the ten subsequent years.

24. As at 31 March 2007, there were 255,396 personal licences (PLs) in force.²¹ We know that 57,400 of those were granted between 1 April 2006 and 31 March 2007.²² So it is a reasonable assumption that the remaining 197,996 were granted between 24 November 2005 (when the system started) and the end of March 2006. However, during the 2006/07 financial

²⁰ DCMS National Statistical Bulletins – 2006-07 to 2009-10: <http://www.culture.gov.uk/publications/7456.aspx>

²¹ DCMS National Statistics Bulletin: Alcohol, Entertainment and Late Night Refreshment Licensing in England and Wales, April 2006 – March 2007 (published November 2007) page 19

²² DCMS National Statistics Bulletin: Alcohol, Entertainment and Late Night Refreshment Licensing in England and Wales, April 2006 – March 2007 (published November 2007) page 9

year, 190 PLs were surrendered; 11 revoked; 13 forfeited (13 were suspended by Court Order - i.e. for up to 6 months). So the total of permanently lost licences was 214. We have made the assumption that most of these (80%) were surrendered, revoked or forfeited personal licences that are likely to have been issued in 2005/06 (i.e. 171 to add to total issued in 2005/6). This gives the estimate that 198,167 personal licences issued during the first year of the Licensing Act 2003 coming into force (i.e. during the period between November 2005 and the end of March 2006).

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

26. We therefore need to estimate the likely fall-out rate in order to assess the costs of renewal. This is calculated below.

27. The fall-out rate over a ten year period will include the numbers who have had their licences revoked or forfeited or surrendered them voluntarily. We have to base the estimate on the available licensing data for 2005 to 2010. See Table 1 above. Table 2 below shows the numbers of personal licences lost permanently in this way.

Table 2 – Number of personal licences lost permanently between 2005 and 2010

	Total of personal licences in force as at 31 March:	Total lost permanently (i.e. revoked by LA; forfeited by the Courts or surrendered voluntarily by the PLH)	The total lost permanently as a % of those in force
2005 -6	n/k	nk	n/k
2006-7	255,396	214	0.1%
2007-8	338,900	209	0.1%
2008-9	391,600	335	0.1%
2009-10	434,380	294	0.1%

28. On this basis we have made the assumption that the average number of personal licences lost permanently via forfeit, revocation or surrender is 1% over 10 years.

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

30. There is data from the hospitality and drinks industry on the annual turnover of employees – which was 31% in 2010-11 and 20% in 2009/10.²³ However, this turnover rate includes junior casual staff and all those working across the hospitality industry. It includes employees moving from one employer to another within the sector. In addition, a very small proportion of PLHs who were granted licences in 2005 are likely to have died by 2015.²⁴ PLHs are likely to be bar managers or managers at licensed premises. Therefore, it is assumed that the fall out rate for PLHs leaving their drinks industry employment, over a ten year period, would be between 10% and 20%. Given that these percentages and the 1% lost via

²³ No available figures for the rate of PLHs leaving the licensed trade for other employment. There is considerable variation throughout the sector with pubs, bars, nightclubs and events experiencing the highest rates of turnover (31 percent). The figures for events are somewhat surprising, as they appear to have increased since 2009 (when they were calculated to be 21 percent). However, it is unsurprising that pubs, bars and nightclubs have high turnover rates as they are commonly associated with short-term employment. Source –The Nation Report 2011– published by People First.

²⁴ Office of National Statistics, Births and Deaths in England and Wales, 2010. Age-standardised mortality rates continued their downward trend in 2010, with 6,406 deaths per million population for males and 4,581 deaths per million population for females. Compared with 2009 these figures represent falls of 2.5 per cent and 1.0 per cent respectively. So, between 0.5 and 0.6 % of PLHs expected to die each year. There is no gender or age breakdown data for PLHs, although the average age of bar staff is 27 and the average age of those working in the UK hospitality, leisure, travel and tourism industry sector is 34 and 58% of the workforce is women – Source –The Nation Report 2011 – published by People First. (The sector skills council for the hospitality, passenger transport, travel and tourism industries)

forfeit/revocation/surrender, the percentage seeking renewal after 10 years is estimated to be between 79% and 89% of the total issued. In summary:

<u>Average lost permanently over 10 years</u>	1%	
<u>Turnover over 10 years</u>	10%	20%

31. The available licensing statistics also show that the numbers of PLH applications fell over time between 2006 and 2010 (a 14% decrease between 2006/7 and 2007/8; a 8% decrease between 2007/8 and 2008/9 and a 6% decrease between 2009/10). We do not know whether the decrease was influenced by the onset of economic downturn in 2008 or whether the need for PLHs had diminished. It is also possible that the demand will flat-line or rise again in future years given the turnover of employees in the drinks/hospitality trade/sector. Under the 2003 Act, each licensed premises (199,400 as at 31 March 2010) needs at least one PLH acting as a designated premises supervisor (DPS), but in large premises there could be several personal licences held by junior managers.

32. We have therefore assumed a continuing decline rate of PLH applications at 5% per year each year after 2010:

Table 3 – Estimated number of personal licence applications

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

33. It is likely that the rate of decline could slow and eventually flatline once the economy starts to grow. However, it has not been possible to forecast this due to the lack of available data.

34. **The costs of renewing a personal licence for the PLH after the 10 year period are calculated as follows.** The renewal process replicates the application process except that the applicant does not need to do another (or prove they have an) accredited licensing application to get the renewal.²⁵ The renewal applicant must pay the prescribed fee to the LA (currently £37), and fill in the prescribed renewal form²⁶, including the provision of a new endorsed photograph. A study in 2008²⁷ estimated that applying took an average of an hour. The 2008 study²⁸ 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 £11.62²⁹. For the purpose of calculating the costs of applying for a personal licence renewal, we are using 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 the application for renewal of the personal licence application itself is £37 + £11.62.**

35. One of the criteria is the provision of a criminal records disclosure (Criminal Records Bureau check). **The current fee is £25.**

²⁵ Licensing Act 2003 (Personal licences) Regulations 2005

²⁶ At Schedule 2 of the Licensing Act 2003 (Personal licences) Regulations 2005

²⁷ “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.

²⁸ See footnote above.

²⁹ 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=tcn%3A77-256648>

36. **The summary of costs of obtaining a personal licence** are therefore as set out in Table 4 below.

37. **The total estimated cost of renewing a personal licence is £74.**

Table 4: Costs of obtaining a personal licence

Process	Apply for renewal of a personal licence	Obtain criminal records disclosure	Total
Fee or price	£37	£25	£62
Administrative cost (at £11.62 per hour)	£11.62		£12
Total cost	£49	£25	£74

Option 1

38. Option 1: maintaining the status quo, that is to say the on-going requirement to renew a personal licence every 10 years.

39. This option involves no change so the costs to businesses (individual PLHs) are the same as the benefits of Option 2 (see below) and vice versa.

Option 2

40. Option 2 is to simplify processes and lower the burden on PLHs by removing the current requirement to renew their personal licences on a ten year basis.

COSTS

Costs to business

41. No costs to individual PLHs. Businesses (employers) might potentially wish to carry out their own CRB checks on PLHs they chose to employ as anyone who is a PLH had a CRB check at the point of applying for a personal licence and at the point of ten year renewal under the existing scheme. There is no evidence that this is common practice – or that potential employers do this during the course of the current ten year period. We will explore this further during the consultation.

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

42. **Transition costs.** Licensing authorities will need to familiarise themselves with the change in policy, we estimate that this would mean up to a maximum of 15 minutes per licensing official per licensing authority based on average hourly wages).³⁰ Based on the **average hourly wage**³¹ for licensing officers³² of £13.60 per hour, we estimate one-off familiarisation costs for all 349 Licensing Authorities of £1186. We will consider this more as part of the

³⁰ See Annex C to the Health and CIPS Impact Assessment

³¹ Figures have been up-rated by 21% to include non-labour costs

³² This is the median hourly wage for 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>

forthcoming consultation and in the New Burdens Assessment. So estimated one-off familiarisation costs are in summary:

For an individual licensing authority	£3.40
For 349 licensing authorities	£1186 (£1.2K)

43. Licensing authorities (LAs) may want to communicate the changes to personal licences regime to key contacts in their area in addition to any national communication via the Home Office website. It is possible they may want to do so to avoid enquiries by PLHs whose licences would otherwise have been due for renewal. Such communications with premises and personal licence holders are part of a LA's core business (and therefore would typically be covered by fees). These costs have not been quantified in this Impact Assessment. We consider further how best to communicate to personal licence holders, police and others that personal licences which would otherwise have expired will remain valid if this proposal is implemented.
44. The benefit to the police and licensing authorities of retaining the ten year renewal is that each PLH must undergo and submit evidence of a criminal records check at the ten year point. This would weed out or identify unscrupulous PLHs who had a relevant criminal conviction but had failed to declare it to the court or LA. The costs benefit to the police and LAs is that this check is done automatically every 10 years negating the need to carry out more 'spot checks' on PLHs at a cost. However, the police tell us that they already routinely carry out such checks on a random basis on purported PLHs when enforcing other aspects of the Licensing Act 2003, for example when investigating crime and disorder at premises. We will use the consultation period to make assessments in conjunction with the police as to whether there would be more checks if the ten year renewals process was to be abolished. We would need to factor in the cost of the time of the police officer doing the check and time of the operator inputting the check (e.g. maintenance figures for the PNC and computers).
45. The courts have dealt with 105 prosecutions for offences associated with the abuse of personal licences in the past 5 years. See [Annex A](#).
46. If police checks were to increase – an issue that we have flagged for further consideration during the consultation period above – then it is also likely that there would be a knock-on effect on the Courts system with more prosecutions being brought. We do not propose at this stage to increase the current requirements on the Courts (already covered in Sentencing Guidelines with a requirement to consider a forfeiture order) to pro-actively check whether a defendant is a PLH. There is also the potential impact on costs to society if criminal PLHs are allowed, as a result of the requirement to renew, to carry on running alcohol-related businesses undetected. We can also consider this further during the consultation stage.

BENEFITS

Benefits to business

47. PLHs – all of whom either own or work in the licensed trade would no longer need to renew their personal licences every ten years. The working assumption is that renewal costs will fall to businesses. It is a requirement under the 2003 Act that every sale of alcohol must be authorised by a PLH and each licensed premises must have a Designated Premises Supervisor (DPS) who is a PLH. An on-trade or off-trade business is therefore likely to either be managed or owned by a PLH. In addition, it is assumed that the majority of PLHs will be employed by such businesses, who will frequently arrange for and pay for training of their staff to obtain the required PLH qualification via such accredited bodies as the BII (formerly the British Institute of Innkeeping), the biggest provider of the PLH qualification in England and Wales, as well as meeting application fee costs. The estimated cost benefits of not

having to renew (based on the available licensing data) are set out above. The cost of renewal 2015 and 2025 are as follows at Table 5 below.

Table 5: Estimated costs benefits to business

Percentage seeking renewal after 10 years	79%	89%		Lower	Upper	Best
	PL renewals:			£m	£m	£m
2015-16	157,065	176,882		11.6	13.1	12.4
2016-17	45,495	51,235		3.4	3.8	3.6
2017-18	39,550	44,540		2.9	3.3	3.1
2018-19	36,221	40,791		2.7	3.0	2.8
2019-20	34,081	38,381		2.5	2.8	2.7
2020-21	32,377	36,462		2.4	2.7	2.5
2021-22	30,758	34,639		2.3	2.6	2.4
2022-23	29,221	32,907		2.2	2.4	2.3
2023-24	27,759	31,262		2.1	2.3	2.2
2024-25	26,372	29,699		2.0	2.2	2.1
			Annual Average	3.4	3.8	3.6
			Present value:	30.8	34.7	32.7

Non-monetised Benefits

48. Administrative savings. A high proportion of PLHs are employed by businesses, who will no longer have an onus to check if personal licences are still current or remind staff to renew them. It is not possible to estimate the scale of those savings.

49. Benefits to the public sector: LAs (349 in England and Wales) have reported concerns about the administrative burden involved when the bulk of personal licences (150,000 to 200,000) come up for renewal in 2015/16). The process will obviously have logistical and operational and resourcing implications for LAs, although their costs are technically covered by the licensing and renewal fees paid by applicants.

50. The net benefit of this option is estimated to be around £3.4m to £3.8m per year or £30.4m to £34.7m in present values (PV) over 10 years.

ONE IN; ONE OUT (OIOO)

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

COSTS (INS)

52. N/A

BENEFITS (OUTS)

53. Based on our best estimate the benefit to businesses (including individual PLHs) is estimated to be around £3.5m to £4.0m per year (2009 prices).

NET OUT

54. This option generates a Net Out of £3.7 m per year (2009 prices).

E. RISKS

The key risk of removing the requirement to renew a personal licence after 10 years is that PLHs will no longer be subject to a criminal records check after the ten year period so unscrupulous PLHs who have continued to operate as PLHs (authorising sales of alcohol) despite having a conviction for a relevant offence will not be identified and, if necessary prosecuted, at this point. Abolishing the 10 year check would mean that the scope for committing the failure to notification offences (listed at [Annex A](#) below) is obviously increased.

55. There are a number existing safeguards in the system, including the range of offences for failure to notify both the Courts and LAs of a conviction for a relevant offence (see Annex A) and the fact that it is open to the police to carry out random criminal records checks at licensed premises in any event. We will explore the extent of this risk as part of the consultation.

56. If the Government was to proceed with simplification, such as the proposal to remove the requirement to renew a personal licence every 10 years, one safeguard could be introduced which would be to place an additional onus on the criminal courts to pro-actively enquire at the point of sentencing as to whether a convicted person is a PLH. The police and others have called in the past for national records of PLHs to allow for audit scrutiny. However, there are already existing safeguards in place, including prompts in the Sentencing Guidelines to Magistrates to consider making an ancillary order to remove a personal licence on the conviction of a PLH. We will consider the balance of risks and safeguards further during the consultation period.

F. ENFORCEMENT

57. As set out above, there are risks that abolishing the ten year check will lead to increases in the number of failures to notify offences linked to personal licences and an increased number of PLHs with relevant convictions that could continue to operate undetected. We will consult with the police and enforcement agencies including LAs to better assess this impact.

H. SUMMARY AND RECOMMENDATIONS

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

Costs and Benefits		
Option	Costs	Benefits
2	<i>Monetised £</i> Familiarisation costs for LAs: £1.2k (best estimate)	<i>Monetised £ 32.7m</i> (PV over 10 years) The estimated costs to businesses (individual PLHs) of not having to pay to renew their licences.)
	<i>Non-monetised</i> Impact on police and courts Additional transition costs for LAs	<i>Non-monetised</i> Administrative savings for businesses will no longer have to check up employees/remind them to renew PLs.

The preferred option would be to implement Option 2.

59. The Government is committed to reducing unnecessary burdens on businesses. The process for personal licences is arguably overly onerous. The renewals process is, for example, more onerous than for driving licences. The current ten year renewal requires PLHs to reapply to the licensing authority, by paying a fee and paying for and under-going a Criminal Records Bureau (CRB) check. Option 2 would remove this burden.

I. IMPLEMENTATION

60. The Government intends to implement these changes via amendments to the provisions on renewing personal licences at section 117 of the Licensing Act 2012 as part of a 3rd session Bill on alcohol reform in 2013/14. The measure would be brought into force before 2015.

J. MONITORING AND EVALUATION

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

K. FEEDBACK

62. Feedback is being sought on this policy as part of the public consultation on the Government's Alcohol Strategy including the potential impact on the licensing objectives. The Government will also seek technical input from licensing authorities, the police, HM Courts Services and the licensed trade.

Defendants proceeded against at the magistrates' courts and found guilty at all courts for selected offences under the Licensing Act 2003⁽¹⁾, England and Wales, 2006-2011⁽²⁾⁽³⁾

Offences under the Licensing Act 2003	Outcome	2006	2007	2008 ⁽⁴⁾	2009	2010	2011
Failure to notify licensing authority of convictions during application period for personal licence ⁽⁵⁾	Proceeded against	1	1	1	-	-	1
	Found guilty	1	1	1	-	-	-
Failure to notify authority of change of name or address (personal licence holder) ⁽⁶⁾	Proceeded against	2	1	2	5	7	5
	Found guilty	-	-	2	1	5	2
Failure to notify court of personal licence ⁽⁷⁾	Proceeded against	6	6	4	4	3	5
	Found guilty	5	4	4	3	3	5
Failure of personal licence holder to notify licensing authority of convictions ⁽⁸⁾	Proceeded against	2	2	7	2	7	6
	Found guilty	1	2	5	2	6	6
Failure of personal licence holder to produce licence when requested to do so by authorised officer ⁽⁹⁾	Proceeded against	-	1	2	2	1	-
	Found guilty	-	1	-	1	1	-

- (1) The Licensing Act 2003 commenced on 23 November 2005 - there were no proceedings or findings of guilty during 2005.
- (2) The figures given in the table relate to persons for whom these offences were the principal offences for which they were dealt with. When a defendant has been found guilty of two or more offences it is the offence for which the heaviest penalty is imposed. Where the same disposal is imposed for two or more offences, the offence selected is the offence for which the statutory maximum penalty is the most severe.
- (3) Every effort is made to ensure that the figures presented are accurate and complete. However, it is important to note that these data have been extracted from large administrative data systems generated by the courts and police forces. As a consequence, care should be taken to ensure data collection processes and their inevitable limitations are taken into account when those data are used.
- (4) Excludes data for Cardiff magistrates' court for April, July and August 2008.
- (5) An offence under S.123 Licensing Act 2003.
- (6) An offence under S.127 Licensing Act 2003.
- (7) An offence under S.128 Licensing Act 2003.
- (8) An offence under S.132 Licensing Act 2003.
- (9) An offence under S.135 Licensing Act 2003.

Source: Justice Statistics Analytical Services - Ministry of Justice [569-12].