

Title: A consultation on a local alternative to personal licences IA No: HO0092 Lead department or agency: Home Office Other departments or agencies: N/A	Impact Assessment (IA)
	Date: 23 July 2013
	Stage: Consultation
	Source of intervention: Domestic
	Type of measure: Primary legislation
Contact for enquiries: Rob Williams (robertthomas.williams9@homeoffice.gsi.gov.uk)	

Summary: Intervention and Options	RPC Opinion: N/A
--	-------------------------

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, Two-Out? Measure qualifies as
£139m	£139m	-£13.2m	Yes OUT

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

The Licensing Act 2003 ('the 2003 Act') attempts to ensure that alcohol is sold responsibly by requiring that all alcohol sales at a licensed premises must be authorised by a personal licence holder (PLH) and that the Designated Premises Supervisor (DPS) named on the premises licence must hold a personal licence. However, the Government is concerned that the system of personal licences may be currently ineffective and poorly targeted. As part of efforts to generate economic growth, the Government is committed to reducing unnecessary administrative burdens on businesses and will consult on whether conditions applied locally to premises licences would be a more cost effective and targeted alternative.

What are the policy objectives and the intended effects?

The overarching objective is to reduce regulation on business; remove unnecessary bureaucracy; support local growth and give greater powers to licensing authorities to determine what is appropriate for their local areas, without undermining the statutory licensing objectives. The principle of conditions applied locally to premises licences, instead of personal licences, does have some risks, but these are assessed in this Impact Assessment as small.

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.

Option 2: Abolish personal licences but enable the use of locally applied conditions instead

The preferred option is Option 2 because it is judged to best meet the policy objectives.

Will the policy be reviewed? Yes	If applicable, set review date: After 5 years				
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	Large 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:  Date: 25 July 2013

Summary: Analysis & Evidence

Policy Option 2

Description: Abolish personal licences but enable the use of locally applied conditions instead

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 83	High: 168	Best Estimate: 139

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	neg	0.02	0.1
High	neg	0.2	1.5
Best Estimate	neg	0.1	0.7

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

One-off transition cost for the 350 LAs for notifying premises of changes estimated to total **£1,200** in year 1.
Ongoing costs to businesses of additional conditions applied through LA reviews: **£0.02-0.1m** per year.

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

None.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	9.8	84.7
High	0	19.4	193.7
Best Estimate	0	16.2	139.8

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

Benefits to business from employees no longer needing to apply for personal licences, pay for criminal records checks or undergo training: **£7.8-15.3m** per year.

Benefits to business from employees no longer needing to renew personal licences after 10 years: **£2.0-4.1m** per year (with the majority falling in year 2, 2015-16).

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

Potential 'opportunity cost' savings to the police and courts from no longer needing to tackle and process personal licence related offences.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

- There is a risk that the crime and disorder and public protection objectives of the 2003 Act could be undermined. However, we believe the safeguards already afforded by the personal licence regime are ineffective, so removing them would pose a low risk. We will assess this further during the consultation.
- Uncertainty around projections of application and review volumes. Estimates reflect what we believe to be a realistic range of possible scenarios.
- Benefits highly sensitive to estimated cost of training. But these costs are based on real and reliable information, so the risk of estimation error is low.
- All interdependencies with other policies in the Alcohol Strategy have been assessed and accounted for.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.1	Benefits: 13.3	Net: 13.2	YES	OUT

A. Strategic Overview

A.1 Background

1. In 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 commitments made under the Government's Red Tape Challenge (RTC) to consult on measures to reduce the unnecessary burdens of the licensing regime on business, support local growth and give licensing authorities greater freedom to take decisions that reflect the needs of their local community.
2. The public consultation on the delivery of the Alcohol Strategy (28 November 2012 to 6 February 2013), set out proposals for cutting bureaucracy and freeing up businesses and local organisations such as community groups from unnecessary burdens. This included a proposal to simplify the system of personal licences which was a new idea that had not been part of the package of ideas generated by the RTC and was not part of the Alcohol Strategy. During the consultation, abolition of the system of personal licences was also suggested by some respondents. It could be argued that the current system is ineffective and poorly targeted.
3. In its response to the Alcohol Strategy consultation, the Government committed to removing the requirement to renew personal licences every 10 years. It also committed to consult on whether personal licences could be abolished, concerned that the current system may not be effective in proportion to the burden it places on business and that allowing for local targeted action instead might be more effective.

The current regime of personal licences

4. 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).
5. 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.

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

- 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).
6. 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).
7. The system of personal licences (relating to the supply of alcohol) enables PLHs to move more freely between premises where a premises licence is in force and was introduced under the 2003 Act. Premises licences are issued by licensing authorities (LAs) after scrutiny of all applications by the police where the applicant has been convicted of certain criminal offences ("relevant offences" listed at Schedule 4 of the Licensing Act 2003).
8. Additionally, under the 2003 Act, premises licensed with authorisation for alcohol sales must specify the **Designated Premises Supervisor** (DPS) for that premises. This person must be a **personal licence holder** (PLH). This will normally be the person with day to day responsibility for running the premises. Under the 2003 Act, each licensed premises (202,000 as at 31 March 2012²) therefore needs to have a PLH acting as a DPS. However, in large premises, such as supermarkets or large bars, there could be several personal licences held by junior managers. Licensing statistics show that there were 502,400 personal licences in force at the end of March 2012³. There is an exception from the DPS and PLH requirements for lower risk "community premises" (e.g. church halls).
9. The system of personal licences contains two safeguards which, according to evidence from licensing authorities, the police and academia⁴, can be effective in reducing alcohol-related harm. First, applicants for a personal licence must be trained. Secondly, licences may be denied to, or forfeited from, those who have convictions for certain offences. Furthermore, to ensure a level playing field for bar staff across the country, these safeguards are qualified by two specific

² Alcohol and Late Night Refreshment Licensing England and Wales, 2011/12 tables"
<https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-england-and-wales-2011-12-tables>

³ As above.

⁴ Ker K, Chinnock P. Interventions in the alcohol server settings for preventing injuries. *Cochrane Database Syst Rev* 2006; 2: CD005244. pub2.

RESTRICTED - DRAFT

'benchmarks' set by Government: (i) only training courses accredited by the Secretary of State are valid for applications, (ii) only offences listed as relevant under the 2003 Act may be considered in denying the grant of, or revoking, a personal licence.

10. When a PLH wants to renew their licence, they must pay a fee to the licensing authority and submit a fresh criminal records check. If they have committed a relevant offence, the LA must then notify the chief officer of police for its area who may, within 14 days, notify the LA that he 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. Following this hearing, the licensing authority may decide not to renew the licence.
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 who wanted to be a premises licence holder. 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. The Government has already committed 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 only a renewal of a photograph is required) and the risks (see below) of abolishing the requirement are limited and manageable given existing safeguards.
13. During the consultation it was suggested that the system of personal licences could itself be abolished. The Government believes that this proposal should be considered further. Personal licences may not be effective in ensuring responsible alcohol sales. For example, although all alcohol sales must be authorised by a PLH, in practice and in law the PLH is not required to be on the premises to do so. Moreover, no other member of staff except the DPS need be a PLH. This allows irresponsible owners and managers and bar staff to circumvent the system's safeguards. Finally, the system is poorly targeted. All licensed premises, from the riskiest to the quietest, must comply with it regardless of risk or history of crime and disorder or public nuisance at the premises.
14. As a result, the current system may not be worth the substantial costs, in application fees, training and criminal records checks, it imposes on business. In theory, it may be possible to reform the system to make it more effective. Some respondents to the consultation, for example, called for a national database of personal licences to make information sharing on personal licence holders easier.

However, this would not solve its more fundamental problems: that it applies to every premises regardless of risk, and that employees may still work at a premises without a personal licence.

Enabling local alternatives to personal licences

15. LAs can already impose conditions on premises licences to, for example, require that CCTV be installed or door staff be present. The Government is considering abolishing the nationally prescribed personal licences regime. It proposes enabling local use of the existing premises licence to provide the safeguards of training and criminal records checks where the LA considers it appropriate to promote the licensing objectives. In the case of the training safeguard, a condition in a new or reviewed premises licence could, for example, require that the DPS to be trained. In the case of criminal records, a condition could require that any new DPS submit a declaration of their criminal record to the LA and police. This would strengthen the already existing process under s.37 of the 2003 Act whereby the police can object to a new DPS on crime and disorder grounds. This would also cut the cost to business of applying for criminal records checks.
16. In abolishing personal licences, it is open to the Government to also abolish the nationally set benchmarks. It has considered whether, for example, the industry or the market be allowed to set them instead. However, this approach would be risky. Without nationally set benchmarks, the level playing field for businesses could disappear, risking a race to the bottom in the quality and rigour of training courses, for example. In fact, if businesses were forced to train employees more than once to comply with different local training standards, this option could increase burdens. As a result, the Government proposes that the current, nationally set, benchmarks should remain.
17. This approach – of locally applied safeguards, but nationally set benchmarks – would have risks, however. These include the risk that licensing authorities impose these conditions on enough premises licences to substantially reduce the saving to business. However, we believe this risk would be small.
18. Since these safeguards are useful in some cases (see para 9 above), the Government has considered how it could strengthen existing legislation to enable LAs to use them where appropriate. To do this, the Government would:
 - i. Amend the mandatory conditions to require all alcohol sales to be authorised by the DPS, rather than a personal licence holder
 - ii. Remove the current requirement in s.37 of the Licensing Act 2003 that police object to a new DPS only in exceptional circumstances
 - iii. Allow licensing authorities to require a criminal records declaration from each new DPS
 - iv. Allow those who either are named as the DPS on a premises licence or have accredited training to give up to 50 Temporary Event Notices (TENs) a year; those without would be limited to giving only five.

Links or interactions with other policies and proposals arising from the Government's Alcohol Strategy

19. Abolishing personal licences and replacing them with conditions applied locally to premises licences would have interdependencies with other licensing policies. These are limited to two areas: the authorisation of alcohol sales in the event that personal licences are abolished; and the different number of TENs that PLHs may give compared to non-PLHs.
20. **Authorising alcohol sales:** All alcohol sales must be authorised by a PLH and each premises must have a Designated Premises Supervisor who must be a PLH. This is to ensure that alcohol is sold responsibly. In order to maintain this clear line of responsibility the Government simply proposes that all alcohol sales be authorised by the DPS. At present, it is possible for DPSs to be named as the DPS on multiple premises licences, although we have no data on how prevalent this practice is. If the Government were to legislate so that the DPS authorises all alcohol sales at a premises, this could lower the number of people able to do this for multiple premises. However, in the event that personal licences were replaced by locally applied conditions on premises licences, only a very small number of DPSs would require training or repeated criminal records checks. This is because we estimate that the number of premises on which conditions would be imposed would be very low. As a result, we consider this interdependency to be negligible, and have not estimated it in this Impact Assessment. However, if during the consultation process we become aware that there are interdependencies, we would assess those fully in the final stage IA.
21. **TENs:** At present, PLHs may give 50 TENs, while non-PLHs may only give five. Since all alcohol sales under a TEN must be authorised by the giver of the TEN, this is intended to reflect the greater risk in allowing those who are not PLHs to sell alcohol. The Government agrees that this is a concern, and intends to reflect this, in the event that personal licences are abolished, by changing the law on TENs to allow those who are either the named DPS of a premises licence, or the holders of an accredited training course, to give 50 TENs a year. Those who do not meet these criteria will still only be able to give five TENs a year. Therefore, considering that the vast majority of current personal licence holders would still be able to give 50 TENs a year under this proposal, there is only a very low risk that this interdependency could burden businesses. As a result, it has not been assessed in this IA. If during the consultation process we become aware that there are significant inter-dependencies, we would assess those fully in the final stage IA.
22. **Other policies in the Alcohol Strategy, including increasing the TENs limit and the Community and Ancillary Notice (CAN):** Abolishing personal licences presents no interdependencies with other policies arising from the Government's response to the Alcohol Strategy consultation. In the case of increasing the TENs

limit, this is because that limit is only applicable to premises as discussed in the TENs IA on this policy. In the case of the CAN, no CANs user will require a personal licence, so this policy is also unaffected.

A.2 Groups Affected

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

23. 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. As above, there were estimated to be 502,400 personal licences in force at the end of March 2012, 16 per cent more than the 434,200 on 31 March 2010 (includes estimates for non-response).⁵

Licensing authorities (LAs)

24. LAs are responsible for the administration of the 2003 Act and, as such, are responsible for processing applications for granting and renewing personal licences. They also have powers to revoke a personal licence if the PLH was convicted of a relevant criminal conviction during the application period. The cost of the personal licence fee (and the cost of renewal) is intended to cover their costs.

The police

25. 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 listed at Schedule 4 of the Licensing Act 2003. They are also responsible for enforcing offences under the 2003 Act, including those in relation to PLHs.

The courts

26. If a PLH is charged with a relevant criminal offence, he or she is required to notify the Magistrates Court, no later than the first time they make their first appearance in connection with that offence. If the PLH is convicted of a relevant offence by a Magistrates or Crown Court, the court has powers to order forfeiture of the personal licence. 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

⁵ <https://www.gov.uk/government/publications/alcohol-and-late-night-refreshment-licensing-statistical-news-release/alcohol-and-late-night-refreshment-licensing-statistical-news-release#personal-licences>

the relevant licensing authority that the PLH has been convicted of a relevant offence and the nature of that offence. 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.

The Disclosure and Barring Service (DBS)

27. Although, at present, the basic level criminal records checks required to renew a personal licence are administered by Disclosure Scotland, consideration is being given to the provision of basic checks by the DBS in due course.

Consultation

28. **Within Government:** Cabinet Committee clearances (RRC and HA) were gained prior to the publication of the Alcohol Strategy and the launch of the later public consultation. Clearances (HA; EAC; RRC) will also be needed for the announcement/implementation of this policy. Clearance processes have included 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.

29. **Public Consultation:** This Impact Assessment has been developed prior to a technical consultation with partners. Government officials will hold technical discussions with representatives from the trade, licensing authorities and the police.

B. Rationale

30. An effective and proportionate regulatory framework is essential to public safety and crime prevention and also ensures 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.

C. Objectives

31. The objectives are to:

- Remove an unnecessary burden on businesses without significantly undermining the licensing objectives.

D. Options

32. The options considered in this IA are:

- **Option 1:** Do nothing (retain the status quo of requiring personal licences to be renewed every ten years).
- **Option 2:** Abolish personal licences and instead allow licensing authorities to apply conditions to premises licences requiring staff to be trained or have their criminal records checked.

E. Appraisal

GENERAL ASSUMPTIONS AND DATA

33. The **number of applications** was extrapolated from licensing data for the period 2006-07 to 2009-10. Applications were trending downwards over this period but we do not know the extent to which this trend has continued since 2009-10, or is likely to continue further. We believe the trend was partly a transitional effect following implementation of the personal licences process in 2005-06. It may also reflect underlying economic conditions. In order to account for this uncertainty we modelled three scenarios for application numbers (Chart A1 in the annex illustrates these scenarios):

- a. In the *lower bound* scenario, application numbers continue on a linear downward trend until they hit a minimum level which we assume to be 30,000 per year.
- b. In the *upper bound* scenario, application numbers remain flat at the 2009-10 level of 43,500 per year. Note that applications could conceivably increase over time so this is a conservative upper bound scenario.
- c. In the *best estimate* scenario, application numbers continue to fall at a diminishing rate, mirroring the available data. Under this scenario numbers remain flat at 40,000 per year from 2012-13 onwards.

34. The **cost of applying for a personal license** comprises the fees and time requirement associated with completing three forms: the main personal licence application form⁶, a convictions declaration form⁷, and a Criminal Records Bureau

⁶ Available from: <http://biiab.bii.org/qualifications/apply-for-personal-licence>

⁷ Example available at: www.torbay.gov.uk/disclosure-convictions.doc

(CRB) check⁸. The fees for the main application and CRB check are £37 and £25 respectively. Initial testing indicates that completion of all three forms and applications would take approximately one hour. We intend to test this assumption further during the technical consultation. We assume that the applicant is a Designated Premises Supervisor (DPS) with an average wage equivalent to that of a bar manager. We estimate this at £13.30⁹ which is based on the Annual Survey of Household Earnings 2012, uprated by 16.4%¹⁰ to account for 'on costs'. The total unit cost of application is therefore **£75.30** (37+25+13.30).

35. A further requirement is that all applicants attend an accredited **training course**. There are various courses applicants can choose from and we have no information on the spread of course selection. Therefore we have modelled the following range:

- a. An *upper bound* estimate based on the most established training provider, BIIAB, costing £180 and 7 hours of time (6 hour external training course plus an assumed 1 hour of unproductive travel time) for a DPS at £13.30 per hour.
- b. A *lower bound* estimate based on an online alternative costing £102 and assumed to last 6 hours with no travel time.
- c. A *best estimate* calculated as a weighted average of the above, with 75% assumed to use the BIIAB option because it is the most established, and 25% assumed to use the cheaper alternative.

The unit cost of training therefore ranges from **£182 to £273** with a best estimate of **£250**.

36. The **number of reviews** per year undertaken by licensing authorities (LAs) have remained relatively constant between 1,000 and 1,300 between 2007-08 and 2011-12¹¹. This policy proposal will not affect the power of LAs to carry out reviews and we do not expect to see any significant increase in reviews because the personal licence regime is not judged to be effective in providing safeguards. Nevertheless the possibility exists that LAs will have an incentive to increase the number of reviews they carry out, either as a result of this proposal or the wider policy proposals of the Alcohol Strategy and continuing implementation of the Police Reform and Social Responsibility Act 2011 licensing reforms. Therefore we have modelled a range of options:

- a. In the *upper bound* (low cost) scenario, reviews remain constant at 1,015 per year (the 2011-12 level).

⁸ Available at: www.disclosurescotland.co.uk

⁹ ASHE 2012 - mean publicans and managers of licensed premises

¹⁰ BIS guidance based on: http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/main_tables

¹¹ From licensing statistics: <https://www.gov.uk/government/organisations/department-for-culture-media-sport/series/alcohol-entertainment-late-night-refreshment-licensing-statistics>. Note that data was not collected for 2010-11.

- b. In the *lower bound* (high cost) scenario, reviews are assumed to double to a rounded 2,000 per year.
- c. The *best estimate* scenario is based on the midpoint of these, rounded to 1,500 per year.

37. The **additional conditions** that LAs will be able to apply following a review are to require staff to be trained and to have staff's criminal records checked. We do not know the extent to which these additional powers would be used. However the licensing statistics¹² provide the basis for the estimation of a sensible range. In 2011-12, 8% of reviews resulted in the DPS being removed. As this is a more drastic condition than either of the new conditions, we take this to represent the *lower bound* for both additional conditions. In 2011-12, 56% of reviews resulted in other conditions being added or modified. This is a broader category than either of the new conditions so we take this to represent a combined *upper bound* for both additional conditions, i.e. the upper bound for each individual condition is assumed to be 28% (half of 56%). The *best estimate* is the midpoint of the resultant range – 18%. So, of the 1,000 to 2,000 reviews estimated to be carried out each year, 18% would result in a training requirement and a further 18% would result in a criminal record check requirement, under the best estimate scenario.

38. The **unit cost of a training condition** is equal to the training costs outlined above, i.e. between £182 and £273. The **unit cost of a criminal record check condition** is equal to the cost of submitting a basic criminal records check form (£25) and the time involved, estimated at 30 minutes. We assume that both conditions would be applicable to one DPS per premises. It is possible that the conditions could be applied to more than one individual per premises in which case these assumptions would underestimate the potential costs. However it is also likely that some of those required to undergo training would have done so already as a result of having been personal licence holders. In this case, these assumptions would overestimate the potential costs. We have assumed that these two risks roughly offset each other.

39. We assume that all the impacts of this proposal fall on business. It is possible that some personal licence costs are borne by individuals. This assumption will be addressed during the technical consultation.

40. The net benefits from the proposal to remove the requirement to renew personal licences after ten years have been included in the calculations for this measure. Details of those impacts are not repeated here but can be found at in the impact

¹² <https://www.gov.uk/government/organisations/department-for-culture-media-sport/series/alcohol-entertainment-late-night-refreshment-licensing-statistics>

assessment entitled, “Removing the requirement to renew personal licences under the Licensing Act 2003”¹³.

41. The base year is 2014/15 and the assumed implementation date is April 2014. If the actual implementation date turns out to be later than modelled, then the true net present value and EANCB would be slightly lower than presented due to additional discounting.

Option 1 – Do nothing

42. There are no additional costs and benefits to the baseline associated with the do nothing option.

Option 2 – Abolish personal licences and instead allow licensing authorities to apply conditions to premises licences requiring staff to be trained or have their criminal records checked

COSTS

Business Costs

43. The costs associated with Option 2 are based on the additional conditions that licensing authorities (LAs) might apply to premises. We have modelled a range of potential costs. The assumptions that underlie these estimates are described above.
44. In the *lower bound* (high cost) scenario, we assume that 2,000 reviews take place per year and that the conditions requiring staff to be trained and criminal records to be checked will be applied in 28% of those reviews each. Lower bound training unit costs are assumed to be £273 in order to be consistent with the benefits assumptions. This results in additional costs to businesses (who we assume would incur all costs) of £150,000 per year in relation to the training condition and £20,000 in relation to the criminal checks condition.
45. In the *upper bound* (low cost) scenario, we assume that 1,015 reviews take place per year and that the conditions requiring staff to be trained and criminal records to be checked will be applied in 8% of those reviews each. Upper bound training unit costs are assumed to be £182 in order to be consistent with the benefits assumptions. This results in additional costs to businesses of £10,000 per year (after rounding) in relation to the training condition and around £3,000 (which rounds to zero to the nearest £10,000) in relation to the criminal checks condition.

¹³ When finalised, this will be published in the IA library:
https://www.gov.uk/government/publications?publication_filter_option=impact-assessments

46. In the *best estimate* scenario, we assume that 1,500 reviews take place per year and that the conditions requiring staff to be trained and criminal records to be checked will be applied in 18% of those reviews each. This results in additional costs to businesses of £70,000 per year in relation to the training condition and £10,000 in relation to the criminal checks condition.
47. **Total costs** therefore are estimated to range between £20,000 and £170,000 with a best estimate of £80,000 per year, or between **£0.1m** and **£1.5m** with a best estimate of **£0.7m** in present values over 10 years.

Public Sector Costs

48. Licensing authorities will no longer receive fee income from personal licence applications. However the fee was designed to cover the cost of administering the regime. As this cost will no longer be present, the net impact on LAs is zero.
49. We expect that there will be a one-off cost to LAs from having to familiarise themselves with, and to notify premises of, the changes to the regime. We estimate that this would mean up to a maximum of 15 minutes per licensing official per licensing authority. Based on an hourly wage for a licensing officer of £13.28 per hour¹⁴ we estimate one-off familiarisation costs for all 350 Licensing Authorities of **£1,162**. This is classed as 'negligible' in the rounded net present value calculations. Sensitivity analysis reveals that this cost would remain negligible even if the time component was considerably longer than estimated.
50. We will explore during the consultation whether these assumptions fully capture costs to the public sector.

BENEFITS

Business Benefits

51. The benefits associated with Option 2 are based on the savings that businesses make from no longer having to incur the costs of applying for a personal licence. We have modelled a range of potential benefits. The assumptions that underlie these estimates are described above.

¹⁴ This is the mean hourly wage of licensing officers. Data was obtained from the 2012 Annual Survey of Hours and Earnings (provisional). <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2012-provisional-results/index.html>. This was updated by 16.40% to include on-costs (see BIS guidance based on http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/main_tables)

52. In the *lower bound* scenario we assume that there would have been 30,000 personal licence applications per year. The total cost of applying and attending the appropriate training comes to an estimated £7.8m per year.
53. In the *upper bound* scenario we assume that there would have been 43,500 personal licence applications per year. The total cost of applying and attending the appropriate training comes to an estimated £15.3m per year.
54. In the *best estimate* scenario we assume that there would have been 40,000 personal licence applications per year. The total cost of applying and attending the appropriate training comes to an estimated £13.1m per year.
55. In addition the benefits to businesses from not having to renew personal licences after ten years are estimated at between £2.1m and £4.2m (best estimate £2.1m) per year on average, though this is heavily dominated by benefits falling in 2015/16 when the bulk of personal licences are due for renewal. The detail behind these estimates is presented in a separate impact assessment¹⁵.
56. **Total benefits** are estimated to range between £9.8m and £19.4m per year on average with a best estimate of £16.2m per year on average, or between **£84.7m** and **£167.7m** with a best estimate of **£139.8m** in present values over 10 years.

Public Sector Benefits

57. As described in the Costs section, the ongoing net impact on licensing authorities is zero.
58. There are potential cost savings to the police from no longer having to tackle personal licence related offences. Similarly there may be cost savings to courts from no longer having to process personal licence related offences. Both impacts are estimated to be small and 'opportunity' in nature (i.e. would involve a freeing up of resources rather than a cashable saving) and have not been quantified.

¹⁵ "Removing the requirement to renew personal licences under the Licensing Act 2003". When finalised, this will be published in the IA library: https://www.gov.uk/government/publications?publication_filter_option=impact-assessments

NET EFFECT

Table 1 – Estimated Net Present Value (NPV) for Option 2

	Average annual net benefits (£m)	NPV (£m)
Lower bound	9.6	83.2
Upper bound	19.3	167.6
Best estimate	16.1	139.1

59. Table 1 presents the estimated net benefits of the different scenarios modelled for Option 2. The best estimate produces a net present value, discounted over a ten year period, of **£139.1 million**.

ONE IN; TWO OUT (OITO)

60. Option 2 has an on-going year-on-year impact on business and is therefore in scope for OITO.

61. The benefit to businesses is estimated to range between £9.6m and £19.3m per year with a best estimate of £16.1m per year. This equates to a **NET OUT of £13.2 million** per year, EANCB (2009 prices).

SENSITIVITY ANALYSIS

62. In general, uncertainty has been accounted for through the use of ranges. These have been selected so that the true values are likely to lie within their bounds. The primary driver of the net present value is the reduced cost of training. But these costs are based on real and reliable information, so the risk of estimation error is judged to be low. And a range of costs has been assessed to account for the different training that applicants can attend.

E. Risks

63. There is a risk that licensing authorities impose these conditions on more premises than we have estimated. This could reduce the deregulatory impact of the policy. However, we believe this risk is low. This is because specific evidence is required to trigger a review of a licensed premises and any imposed condition

must be appropriate to promote the licensing objectives. The absence of training requirements on its own, for example, is very unlikely to be enough.

64. There is also a risk that, by abolishing personal licences, any associated costs are transferred from the personal licence holders to the premises licence holders. In theory, individuals should pay for and manage their personal licences, while businesses pay for and manage their premises licences. However, we understand that, in practice, employers pay for their employees to get a personal licence. We will analyse during the consultation period whether this assumption remains valid.
65. Finally, there is a risk that abolishing personal licences would lead to higher crime and disorder risks at licensed premises. However, we believe that this risk is low. This is because we believe, based on discussions with partners during the Alcohol Strategy consultation, that the current system has a limited impact in preventing crime and disorder. For example, personal licence holders only train once a lifetime; with the abolition of the renewal requirement, they will only have their criminal record checked by the LA and police on application. Moreover, since people without personal licences may still work at licensed premises, the threat of forfeiture by the court is no real sanction. This new proposal could in fact be more effective, because it would allow licensing authorities to require training of the people who need to be trained. It will also allow a DPSs criminal record to be checked on being made the DPS – rather than only on application for the personal licence. We will analyse during the consultation period whether these assumptions would be valid.

F. Enforcement

66. In the event that personal licences are abolished, enforcement practices will not change. At present, police and licensing officers conduct routine visits of licensed premises and sometimes check personal licences as a part of this. In future, where a premises had a condition requiring that the DPS was trained, for example, officers could simply check the certificate of training during a routine inspection. We will investigate during the consultation whether there is a way that industry could standardise these certificates so as to make this enforcement process even easier for officers and the trade.
67. At present, when a DPS of a premises is changed under s.37 of the 2003 Act, the police may object to that DPS on crime prevention grounds. This process would continue if personal licences were abolished, but strengthened if licensing authorities imposed a condition requiring future DPSs at a premises to submit a convictions declaration when named on the licence. It is already an offence under the 2003 Act to make a false convictions declaration.

H. Summary and recommendations

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

Table 1 – Summary of costs and benefits (best estimate)

Option	Costs	Benefits
2	<p>Monetised - £0.7m</p> <p>Additional conditions imposed upon premises following licensing authority review.</p> <p>Negligible costs to licensing authorities from communicating the changes in personal licenses.</p>	<p>Monetised - £139.8m</p> <p>Savings to businesses from not having to apply for personal licences.</p>
	<p>Non-monetised</p> <p>None.</p>	<p>Non-monetised</p> <p>Potential savings to police and courts from no longer having to deal with and process personal licence related offences.</p>

Source: HO modelling

Table presents the total quantified (best estimate) and unquantified benefits and costs, discounted over 10 years. Net present values are calculated over 10 years.

69. Option 2 produces a net present value, discounted over a ten year period, of £139.1m. There is a clear and significant saving to business from avoiding the application and training costs associated with the personal licences regime. The effectiveness of the existing regime in terms of safeguarding the licensing objectives is thought to be limited. Therefore the costs associated with Option 2 are minor.

I. Implementation

70. If, following the consultation, the Government chooses to proceed with these changes, measures would be brought forward to implement them via amendments to the provisions on personal licences in the Licensing Act 2003.

J. Monitoring and evaluation

71. The duty to review all new policies after a minimum of five years would apply to this policy.

K. Feedback

72. Feedback will be sought on this policy as part of the public consultation on the personal licence abolition including the potential impact on the licensing objectives. The Government will seek technical input from licensing authorities, the police, the licensed trade and others.

ANNEX

Chart A1: Modelled projections of personal licence applications

