

Impact Assessment, The Home Office

Title: Alcohol Licensing – Consumption of alcohol in licensed pavement areas and for takeaway and delivery
IA No: HO IA 0489 **RPC Reference No:** N/A
Other departments or agencies:

Date: 10 May 2024

Stage: CONSULTATION

Intervention: Domestic

Measure: Legislative Reform Order (tbc)

Enquiries: alcoholteam2@homeoffice.gov.uk

RPC Opinion: RPC Opinion Status

Business Impact Target: Non qualifying provision

Cost of Preferred (or more likely) Option (in 2024 prices)

Net Present Social Value NPSV (£m)	N/A	Business Net Present Value BNPV (£m)	N/A	Net cost to business per year EANDCB (£m)	N/A
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What is the problem under consideration? Why is government intervention necessary?

The Licensing Act 2003 allows premises licence holders to sell alcohol for consumption on site ('on-sales') or for consumption off site ('off-sales') or both. During the COVID-19 pandemic provisions in the Business and Planning Act 2020 (BPA 2020) enabled on-sales-only premises licence holders to automatically conduct off-sales, without any need to amend their licence. These provisions are due to lapse on 31 March 2025. The Government wants to simplify the process for licensing the sale of alcohol for consumption in the outside pavement area adjacent to licenced premises, and for takeaway and delivery, to ensure that those businesses that started a new operating model can continue doing so with ease.

What is the strategic objective? What are the main policy objectives and intended effects?

The Government wants to understand how best to simplify processes for licensing the sale of alcohol for consumption in a licensed pavement area adjacent to the premises, as well as for takeaway and delivery. The intention is to support businesses whilst also ensuring the needs of licensing authorities (LAs) and local residents continue to be met. This work is linked to the Government's smarter regulation agenda.

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

Option 0: 'Do nothing'. Allow the BPA 2020 provisions to lapse on 31 March 2025. This is not a policy option being consulted on but represents the baseline.

Option 1: Make permanent the temporary regulatory easements for off-sales under the BPA 2020, whereby any on-sales alcohol premise licence automatically covers off-sales as well.

Option 2: Amend the Licensing Act 2003 to extend the definition of on-sales so that it includes consumption in a licensed pavement area.

Option 3: Amend the Licensing Act 2003 to permit on-sales only premises licence holders the right to make off-sales to any area for which there is a pavement licence.

Main assumptions/sensitivities and economic/analytical risks	Discount rate (%)	3.5
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- Options 1, 2 and 3 have the same outcome and costs/benefits, so have been appraised together.
- The appraisal assumes that premises would normally pay £89 for a minor variation to add off-sales to their existing on-sales licence. Sometimes a major variation may be appropriate, but a minor variation should be the default for LAs.
- The main analytical risk is around the number of premises which have a pavement licence and would wish to sell alcohol on it. Assumptions are used to estimate this and are detailed later.

Will the policy be reviewed? The policy will be kept under review. If applicable, set review date: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister



Date: 10/05/2024

Summary: Analysis & Evidence

Policy Option 1

Description: Make permanent the temporary regulatory easements for off-sales under the Business and Planning Act 2020, whereby any on-sales alcohol premise licence automatically covers off-sales as well.

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2024/25	PV Base	2024/25	Appraisal	10	Transition	1
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	£1.7	High:	£6.4	Best:	£3.2	Best BNPV	£3.2	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	£0.0	£0.0	£0.0	£-	£ 0.0
High	£0.0	£0.0	£0.0	£-	£ 0.0
Best Estimate	£0.0	£0.0	£0.0	£-	£ 0.0

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

If the alcohol licensing system reverts to the pre-pandemic system, on-sales only licensed premises will need to add off-sales to their licence. As this proposal removes the need for a variation, businesses would not need to pay a fee of £89 and LAs would see a reduced fee income of £89 per application. This is an economic transfer and isn't included in total cost or NPSV. A familiarisation cost to those reading guidance about the change is monetised.

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

This option may lead to an increase in alcohol consumption which is associated with increased health harms and crime and disorder. Potential impacts on crime and health are not monetised due to an absence of data.

BENEFITS, £m	Transition Constant	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	£ -	£ 1.7	£ 1.7	£ 0.2	£1.7
High	£ -	£ 6.4	£ 6.4	£ 0.7	£5.1
Best Estimate	£ -	£ 3.2	£ 3.2	£ 0.4	£3.2

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

The key benefit is that businesses would save the cost of the fee for a licence variation. There is also a reduction in processing cost for LAs. Additionally, the time saved for premises in filling out and submitting a minor amendment is monetised. Whilst the reduction in fees paid by the premises is monetised, this is an economic transfer and is not included in the total benefits or NPSV.

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

There is potential for increased profits for premises, arising from an expanded sales area for alcohol. Premises which took advantage of the BPA 2020 provisions can continue selling alcohol for consumption in an adjacent licensed pavement area, and for takeaway and delivery. This is not monetised due to an absence of data. There is potential for wider and economic social benefits arising from this legislation but this is not monetised.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:									
Cost, £m	0.0	Benefit, £m	0.4	Net, £m	0.4				
Score for Business Impact Target (qualifying provisions only) £m:					0				
Is this measure likely to impact on trade and investment?					N				
Are any of these organisations in scope?		Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded:	0	Non-Traded:	0		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 1)

Are all relevant Specific Impacts included?	Y	Are there any impacts on particular groups?	N
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Summary: Analysis & Evidence

Policy Option 2

Description: Amend the Licensing Act 2003 to extend the definition of on-sales so that it includes consumption in a licensed pavement area.

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2024/25	PV Base	2024/25	Appraisal	10	Transition	1
Estimate of Net Present Social Value NPSV (£m)				Estimate of BNPV (£m)				
Low	£1.7	High:	£6.4	Best:	£3.2	Best	£3.2	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	£0.0	£0.0	£0.0	£-	£ 0.0
High	£0.0	£0.0	£0.0	£-	£ 0.0
Best Estimate	£0.0	£0.0	£0.0	£-	£ 0.0

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

If the alcohol licensing system reverts to the pre-pandemic system, on-sales only licensed premises will need to add off-sales to their licence. As this proposal removes the need for a variation, businesses would not need to pay a fee of £89 and LAs would see a reduced fee income of £89 per application. This is an economic transfer and isn't included in total cost or NPSV. A familiarisation cost to those reading guidance about the change is monetised.

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

This option may lead to an increase in alcohol consumption which is associated with increased health harms and crime and disorder. Potential impacts on crime and health are not monetised due to an absence of data.

BENEFITS, £m	Transition Constant	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	£ -	£ 1.7	£ 1.7	£ 0.2	£1.7
High	£ -	£ 6.4	£ 6.4	£ 0.7	£5.1
Best Estimate	£ -	£ 3.2	£ 3.2	£ 0.4	£3.2

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

The key benefit is that businesses would save the cost of the fee for a licence variation. There is also a reduction in processing cost for LAs. Additionally, the time saved for premises in filling out and submitting a minor amendment is monetised. Whilst the reduction in fees paid by the premises is monetised, this is an economic transfer and is not included in the total benefits or NPSV.

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

There is potential for increased profits for premises, arising from an expanded sales area for alcohol. Premises which took advantage of the BPA 2020 provisions can continue selling alcohol for consumption in an adjacent licensed pavement area, and for takeaway and delivery. This is not monetised due to an absence of data. There is potential for wider and economic social benefits arising from this legislation but this is not monetised.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:									
Cost, £m	0.0	Benefit, £m	0.4	Net, £m	0.4				
Score for Business Impact Target (qualifying provisions only) £m:					0				
Is this measure likely to impact on trade and investment?					N				
Are any of these organisations in scope?		Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded:	0	Non-Traded:	0		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 2)

Are all relevant Specific Impacts included?	Y	Are there any impacts on particular groups?	N
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Summary: Analysis & Evidence

Policy Option 3

Description: Amend the Licensing Act 2003 to permit on-sales only premises licence holders the right to make off-sales to any area for which there is a pavement licence.

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2024/25	PV Base	2024/25	Appraisal	10	Transition	1
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	£1.7	High:	£6.4	Best:	£3.2	Best BNPV	£3.2	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	£0.0	£0.0	£0.0	£-	£ 0.0
High	£0.0	£0.0	£0.0	£-	£ 0.0
Best Estimate	£0.0	£0.0	£0.0	£-	£ 0.0

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

If the alcohol licensing system reverts to the pre-pandemic system, on-sales only licensed premises will need to add off-sales to their licence. As this proposal removes the need for a variation, businesses would not need to pay a fee of £89 and LAs would see a reduced fee income of £89 per application. This is an economic transfer and isn't included in total cost or NPSV. A familiarisation cost to those reading guidance about the change is monetised.

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

This option may lead to an increase in alcohol consumption which is associated with increased health harms and crime and disorder. Potential impacts on crime and health are not monetised due to an absence of data.

BENEFITS, £m	Transition Constant	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	£ -	£ 1.7	£ 1.7	£ 0.2	£1.7
High	£ -	£ 6.4	£ 6.4	£ 0.7	£5.1
Best Estimate	£ -	£ 3.2	£ 3.2	£ 0.4	£3.2

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

The key benefit is that businesses would save the cost of the fee for a licence variation. There is also a reduction in processing cost for LAs. Additionally, the time saved for premises in filling out and submitting a minor amendment is monetised. Whilst the reduction in fees paid by the premises is monetised, this is an economic transfer and is not included in the total benefits or NPSV.

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

There is potential for increased profits for premises, arising from an expanded sales area for alcohol. Premises which took advantage of the BPA 2020 provisions can continue selling alcohol for consumption in an adjacent licensed pavement area, and for takeaway and delivery. This is not monetised due to an absence of data. There is potential for wider and economic social benefits arising from this legislation but this is not monetised.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:									
Cost, £m	0.0	Benefit, £m	0.4	Net, £m	0.4				
Score for Business Impact Target (qualifying provisions only) £m:					0				
Is this measure likely to impact on trade and investment?					N				
Are any of these organisations in scope?		Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded:	0	Non-Traded:	0		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 3)

Are all relevant Specific Impacts included?	Y	Are there any impacts on particular groups?	N
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Evidence base

A. Strategic objective and overview

A.1 Strategic objective

1. Good regulation is essential to successful businesses. The strategic objective, taken from the 2019 Conservative Manifesto¹, is to achieve the right regulatory balance between supporting excellent business practice and protecting workers, consumers and the environment. As part of this, the Government aims to simplify processes involved in licensing the sale of alcohol for consumption in the outside pavement area adjacent to licenced premises.

A.2 Background

2. The Licensing Act 2003² covers the retail sale and supply of alcohol in England and Wales. The Licensing Act 2003 allows premises licence holders to sell alcohol for consumption on site ('on-sales') or for consumption off site ('off-sales') or both. Under the Licensing Act 2003 the holder of an on-sales licence can subsequently apply to their local licensing authority (LA) for a licence variation if they wish to add off-sales to their licence. Section 3 of the the Licensing Act 2003 defines LAs as local authorities³ with the power to issue licences permitting an organisation to sell alcohol in different circumstances. For example a business which wishes to sell alcohol must apply for a premises licence.⁴
3. If a business wishes to place tables and chairs on the pavement adjacent to their premise, they need to have a separate pavement licence that is regulated by the Business and Planning Act 2020⁵ (BPA 2020) (England) and the Highways Act 1980 (Wales).
4. During the COVID-19 pandemic, provisions in the BPA 2020 enabled on-sales-only premises licence holders to automatically conduct off-sales, without any need to amend their licence. The BPA 2020 also streamlined the process to obtain a pavement licence, setting the consultation and determination periods at seven days each and capping fees at £100. Together, the BPA 2020 easements relating to alcohol and pavement licensing meant that businesses with an on-sales only premises licence could automatically sell alcohol for consumption in a licenced pavement area. The alcohol licensing easement alone also enabled businesses to automatically sell alcohol for takeaway and delivery. These easements therefore helped to enable businesses to continue to function whilst COVID-19 related restrictions were in place during the pandemic, thus providing vital support to the hospitality sector.
5. The Levelling Up and Regeneration Act 2023⁶ provisions on pavement licensing amend those in the the BPA 2020 (England only), doubling the consultation and determination periods to 14 days each and fixing the fee at £500 for a first time application. These permanent arrangements have now been enacted and do not form part of this consultation.

A.3 Groups affected

6. These policies affect:
 - The hospitality sector; holders of on-sales only licences would have the potential to additionally make off-sales without any need to amend their licence.

¹ Conservatives (2019) *Conservative Party Manifesto 2019*, pp. 33. Available at: <https://www.conservatives.com/our-plan/conservative-party-manifesto-2019>

² Licensing Act 2003 (legislation.gov.uk): <https://www.legislation.gov.uk/ukpga/2003/17/contents>

³ Licensing Act 2003 (legislation.gov.uk): <https://www.legislation.gov.uk/ukpga/2003/17/section/3>

⁴ Alcohol Liscencing (2013) (www.gov.uk): <https://www.gov.uk/guidance/alcohol-licensing>

⁵ Business Planning Act 2020 (legislation.gov.uk): <https://www.legislation.gov.uk/ukpga/2020/16/contents/enacted>

⁶ Levelling-up and Regeneration Act 2023 (legislation.gov.uk): <https://www.legislation.gov.uk/ukpga/2023/55/enacted>

- LAs; they would not be required to consider licence variations. However there may be an increase in licence reviews where there are concerns about crime, disorder and/or anti-social behaviour in connection with individual premises.
- Residents of communities in which the hospitality sector trades and who had understood that the easement was temporary; if they have concerns about any individual premises, they would have to seek licence reviews rather than object to licence variation applications.

A.4 Consultation

Within Government

7. This work has been undertaken by the Home Office and the Department for Levelling Up, Housing and Communities (DLUHC). The Home Office has engaged with the Department for Business and Trade as well as the Local Government Association, who are supportive of the policy and approach. The Home Office and DLUHC have outlined the proposals to other government departments who have an interest in this area, including the Department for Health and Social Care, the Department for Environment, Food and Rural Affairs and HM Treasury, and they have not raised any concerns.

Public consultation

8. We are consulting on the specific proposals, and prior to that there has been in-depth engagement with a large number of licensing experts, including from hospitality, licensing and residents' groups.

B. Rationale for intervention

9. The Licensing Act 2003⁷ covers the retail sale and supply of alcohol in England and Wales and allows premises licence holders to sell alcohol for consumption on site ('on-sales') or for consumption off site ('off-sales') or both. During the COVID-19 pandemic, provisions in the Business and Planning Act 2020 enabled on-sales-only premises licence holders to automatically conduct off-sales, without any need to amend their licence. That meant it was possible to automatically sell alcohol for consumption in a licensed pavement area. The easement helped to enable businesses to continue to function whilst COVID-19 related restrictions were in place during the pandemic.
10. The off-sales easement is due to lapse on 31 March 2025. The Government wants to simplify the process for licensing the sale of alcohol for consumption in the licensed pavement area adjacent to the premises to ensure that those businesses that have taken advantage of the regulatory easement are able to continue to trade using their new business model. Any permanent alternative requires legislation which is why the Government needs to intervene.
11. The Government aims to support businesses by simplifying processes involved in licensing the sale of alcohol for consumption in a licensed pavement area. But consideration of the terms of licences, and giving local people the chance to comment or object, is an important feature of the licensing regime, which should be preserved. Accordingly, the Government is consulting ahead of bringing any legislative change.

C. Policy objective

12. To simplify processes involved in licensing the sale of alcohol for consumption in the pavement area adjacent to licenced premises.

⁷ Licensing Act 2003 (legislation.gov.uk): <https://www.legislation.gov.uk/ukpga/2003/17/contents>

13. These proposals aim to understand whether there is appetite for making permanent the licensing easement as set out in the BPA 2020 or alternative options by which the area covered by any pavement licence would be deemed to be covered by the alcohol premises licence.

D. Options considered and implementation

14. To meet the policy objectives, three options are considered:
- **Option 0: 'Do nothing'**. Allow the BPA 2020 provisions to lapse on 31 March 2025. This is not a policy option being consulted on by the Government, but it acts as the baseline for appraisal of the three subsequent policy options, representing the licensing system pre-BPA 2020. In practice, the BPA 2020 is still currently in place, so in the event that any of the other options are taken forward before it lapses, there would be a smaller magnitude of difference from the perspective of the day-to-day operation of businesses.
 - **Option 1:** Make permanent the temporary regulatory easements for off-sales under the BPA 2020, whereby any on-sales alcohol premise licence automatically covers off-sales as well.
 - **Option 2:** Amend the Licensing Act 2003 to extend the definition of on-sales so that it includes consumption in a licensed pavement area.
 - **Option 3:** Amend the Licensing Act 2003 to permit on-sales only premises licence holders the right to make off-sales to any area for which there is a pavement licence.
15. The Government aims to implement changes before the current temporary arrangements lapse on 31 March 2025, subject to parliamentary time.

E. Appraisal

General assumptions and data

16. Options 2 and 3 have been assessed as having the same costs and benefits, therefore they will be addressed together in the appraisal. This is because they both achieve the same outcome, which is that on-sales licences would automatically cover sales of alcohol for consumption in a licensed pavement area, but the legislative drafting for doing this is different.
17. It is assumed that the number of premises that choose to take advantage of the provisions under option 1 will be the same as under options 2 and 3. This means that the monetised costs and benefits under option 1 are likely to be the same as under options 2 and 3, therefore they will be considered together in the appraisal.
18. All costs and benefits are measured relative to 'Do nothing' (option 0) which is the baseline set out pre-BPA 2020. This is because the regulatory easements set out in the BPA 2020 are due to lapse on 31 March 2025. In practice, the difference to the current business as usual, that is with BPA 2020 in place, will be of a smaller magnitude.
19. The Readingsoft⁸ calculator is used in calculating familiarisation costs.
20. All costs and benefits are expressed in 2024/25 prices, and use a 10-year appraisal period, with the standard HMT Green Book⁹ discount rate of 3.5 per cent per year.
21. Where monetised, costs and benefits are expressed as the 10-year present value, unless otherwise stated.

⁸ The speed at which licensees and LAs are assumed to read the guidance is taken from: <http://www.readingsoft.com/>

⁹ The Green Book (2022) - GOV.UK (www.gov.uk): <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

22. The appraisal for Options 1, 2 and 3 assumes that should the regulatory easements lapse, premises wishing to add off-sales to their existing on-sales licence would do so through a minor variation, costing £89¹⁰. Some premises may pay for a major variation (£100 to £1,905)¹¹ and accompanying local newspaper advertisement to add off-sales to their existing on-sales licence, though the default should be through minor variation.

Assumption for the number of affected premises

23. A set of assumptions are used to calculate the number of premises that would have a pavement licence and currently have an on-sales only licence, and may - without government intervention - need to pay for a minor variation to be able to sell alcohol for consumption in a licensed pavement area.
24. There is an absence of well-evidenced data surrounding the number of premises which have pavement licences and the percentage of those that also have an alcohol licence. The Home Office is, however, including a question in the consultation which seeks to gather evidence on this point.
25. The impact assessment (IA) published for the Levelling Up and Regeneration Act in 2021, estimated that from the introduction of the new pavement licensing scheme that there would be 25,400 pavement licences per year¹². Given that there has been less than a year since implementation, the best estimate in this appraisal assumes that 25,400 licences are in place. To account for uncertainty, this appraisal subtracts and adds 20 per cent respectively to give indicative low and high estimates, giving a range of 20,320 to 30,480 pavement licences.
26. Office for National Statistics (ONS) Nomis data¹³ gives the volume of businesses who operate in specific industries denoted by Standard Industry Classification (SIC) codes. Volumes of five specific five-digit SIC businesses within the food and beverage service activities sector is shown below.

Table 1: Count of VAT and/or PAYE based enterprise for specific UK SIC 2007 five-digit, 2023

Standard Industrial Classification (SIC)	2023
47240: Retail sale of bread, cakes, flour confectionery and sugar confectionery in specialised stores	4,065
56101: Licensed restaurants	31,135
56102: Unlicensed restaurants and cafes	26,990
56103: Take away food shops and mobile food stands	43,620
56302: Public houses and bars	30,180

Source: Office for National Statistics, 2023

27. It is assumed that all of the above businesses in Table 1, (aside from takeaway food shops and mobile food stands), could operate with pavement licences in tandem, as legislation for take away food shops and mobile food stands does not allow for temporary furniture near the premise.
28. Of the four remaining business categories, typically only two - licensed restaurants and public houses and bars - are licensed to sell alcohol. This represents 66 per cent of the four business categories. Applying this to the estimates detailed in paragraph 25, this forms the high estimate of the number of alcohol premises that could also have a pavement licence, equating to 20,200 pavement licences.

¹⁰ <https://www.gov.uk/government/publications/alcohol-licensing-fee-levels/additional-and-other-fees>

¹¹ <https://www.gov.uk/government/publications/alcohol-licensing-fee-levels/main-fee-levels>

¹² UK Parliament (2022) *Annex 18 Statement of Impacts – Pavement Licensing, Levelling-up and Regeneration Bill*: 'Annexes to the Impact assessment from The Department for Levelling Up, Housing and Communities – December 2022'. Available at: <https://publications.parliament.uk/pa/bills/cbill/58-03/0169/LevellingUpandRegenerationBillImpactAssessmentAnnexes.pdf>

¹³ ONS (2023) Businesses operating in the UK for specific five-digit SICs, NOMIS

<https://www.nomisweb.co.uk/query/construct/summary.asp?reset=yes&mode=construct&dataset=142&version=0&anal=1>

29. The central and lower bounds are taken as 75 per cent and 50 per cent of the high estimate (20,200). This gives a range of volumes for premises which hold both alcohol and pavement licences fall within the range of 6,900 and 20,600, with a central estimate of 12,900.
30. In absence of well evidenced data, this appraisal makes an assumption on the number of premises that have both an on-sales premise licence and pavement licence and would also want to extend the area in which alcohol can be consumed to include that licensed pavement area.
31. The appraisal assumes that 67 per cent of business who have an alcohol and pavement licence would already have extended their premise licence and only the remaining 33 per cent would want to extend their licence if allowed to do so to no further cost. This is based on the ratio of premises that have a licence to provide both on and off-sales to those that just have a licence to provide on-sales.
32. Applying this assumption to the figures in paragraph 29, it is estimated that between 2,200 and 6,700 premises would want to extend their premise licence under Options 2, 3 and 4, with a central estimate of 4,200.
33. This assumption is the same used in the appraisal of the regulatory easements in 2023¹⁴.

Options 1, 2 and 3

COSTS

Monetised costs

Set-up costs

Cost 1 – familiarisation cost

34. A common economic cost associated with policy changes is a familiarisation cost. This is calculated to consider the opportunity cost for an individual spending the average time reading, comprehending and becoming familiar with a policy change¹⁵.
35. This calculation assumes that the employees undertaking this task are part of the Standard Occupation Code (SOC) for publicans and managers of licensed premises and uses wage estimates from the 2023 Annual Survey of Hours and Earnings (ASHE) four-digit SOC table¹⁶. The ASHE data gives an hourly median wage of £14.68 and is used across all scenario ranges.
36. However, this is just the wage cost and does not factor in other labour costs, such as pension and National Insurance employer contributions. To account for these, the median wage is uplifted by a wage multiplier of 1.136 from an ONS non-wage costs dataset¹⁷. This gives a total familiarisation labour cost of £16.68 per hour, which is used across the low, central and high scenarios.
37. To calculate the true familiarisation cost, the wage cost is multiplied by the average time it takes to read and comprehend a small amount of online text, which is assumed to be between 100 and 300 words per policy change¹⁸. This is multiplied by the number of premises which would be expected to read the guidance, which is 42,600 (the number of premises with on-sales only licences)¹⁹.

¹⁴ Home Office (2023), Licensing Act 2003: regulatory easements Impact Assessment. <https://www.gov.uk/government/consultations/licensing-act-2003-regulatory-easements>

¹⁵ Words per minute estimates for paper and screen reading, Readingsoft. Available here: <http://www.readingsoft.com/>. This is using words per minute estimates of 200, 400 and 700.

¹⁶ ONS (2023) Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14, Table 14.5a, Datasets. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2019ashetable14>

¹⁷ ONS (2020) Index of Labour Costs per Hour: level (£) by sector, seasonally adjusted. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/indexoflabourcostsperhourilchseasonallyadjusted>

Methodology: Wholesaling, Retailing, Hotels & Restaurants Other Costs per hour (2020 Q1 as the last quarter unaffected by COVID-19 measures) divided by Wage Costs per hour. $1.8/13.2 = 0.1364$ (4 d.p.). Multiplier is therefore 1.1364.

¹⁸ In the absence of well evidenced data, a Home Office assumption has been made that the length of wording for a new policy change for range between 100 to 300 words. The average time taken to read and comprehend the policy change is estimated between 0.2 to 3.1 minutes. These estimations are calculated using <http://www.readingsoft.com/>.

¹⁹ Alcohol and late night refreshment licensing England and Wales 31 March 2022 - GOV.UK (www.gov.uk):

<https://www.gov.uk/government/statistics/alcohol-and-late-night-refreshment-licensing-england-and-wales-31-march-2022>

38. The best estimate cost of this is £13,000, with a low estimate of £1,900 and a high estimate of £36,700.

Ongoing and total costs

Cost 2 - Reduction in fees received by LAs

39. Because premises with an on-sales licence will not need an off-sales licence to sell alcohol for consumption in a licensed pavement area, fulfilled through licence variation, LAs will receive less in fee revenue. The number of premises which would have otherwise paid this fee is modelled using the assumption set out in paragraph 32. The cost of this is estimated to be between £198,000 and £594,000, with a best estimate of £371,400. Because this is an economic transfer, it is not included in the total costs and NPSV.

Non-monetised costs

Cost 3 – Increased health harms

40. Options 1, 2, and 3 may lead to a net rise in alcohol consumption due to the increased opportunity to buy alcohol, and there could be a small substitution effect away from other off-sales premises such as corner shops or supermarkets. In this instance this could lead to a net increase in alcohol related health harms. This is reliant upon the health of individuals who consume alcohol and their personal consumption patterns. Due to uncertainties on understanding whether there is a level of substitution between off-sales premises, such as supermarkets and corner shops, the true effect on health harms has not been modelled.
41. Option 1 is likely to lead to a higher impact on alcohol consumption and a larger substitution effect than options 2 and 3. This is because option 1 includes automatic off sales including takeaway sales of alcohol rather than solely allowing for consumption in a licenced pavement area.

Cost 4 – Increased crime and disorder

42. A potential increase to crime and disorder has not been monetised due to an absence of data. The National Police Chiefs' Council have, in consultation with Home Office officials, said that the temporary off-sales permission has not caused any clearly identifiable increase in crime and disorder. Making this permission permanent is not expected to cause increased crime and disorder.
43. There is however a strong link between alcohol and crime. According to the The Crime Survey for England and Wales (CSEW) in 2022/23, in 38 per cent²⁰ of all violent incidents the victim believed the perpetrator to be under the influence of alcohol. Crime has a considerable social impact, with an average violence without injury offence costing approximately £7,300 to society²¹ (in 2024/25 prices²²). Breakeven analysis using this figure suggests that the proposals would have to lead to an increase in violence without injury offences of 22, 49 and 102 offences per year in the low central and high scenarios for the net monetised benefit to become negative.
44. Option 1 is likely to lead to a higher impact on crime and disorder than options 2 and 3. This is because option 1 include all off sales including takeaway sales of alcohol rather than solely allowing for consumption in a licenced pavement area.

²⁰ ONS (2024), The Nature of Violent Crime: Appendix Tables (YE Mar 23), Table 9a. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/natureofcrimetablesviolence>

²¹ Home Office (2018) The economic and social costs of crime, page7. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732110/the-economic-and-social-costs-of-crime-horr99.pdf

²² This statistics uses GDP deflators at market prices and money to inflate £5,930 in 2015/16 prices into £7,315 in 2024/25 prices. The source is: GOV.UK (2023) GDP deflators at market prices, and money GDP September 2023 (Quarterly National Accounts) - GOV.UK (www.gov.uk): <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-september-2023-quarterly-national-accounts>

BENEFITS

Monetised benefits

Benefit 1 – Saving of the minor variation fee

45. Premises that wish to sell alcohol for consumption in a licensed pavement area would not have to apply for a variation to extend their existing on-sales licence to include off-sales. One of the headline benefits is that premises will not have to pay the minor variation fee. The number of premises which would have to pay the minor variation fee is modelled using the assumption set out in paragraph 32. The value of this benefit per year is estimated to be between £198,000 and £594,000, with a best estimate of £371,400. Because this is an economic transfer, it is not included in the total costs and NPSV, but is included in the BNPV.

Benefit 2 – Time saved by premises

46. Alongside saving the cost of the fee, the opportunity cost saving of filling out and submitting a minor variation application form for the premises that would need to do so is estimated. A minor variation application form is 2,700 words in total, which forms the upper range as it assumes that some individuals will read the bulk of the document as well as all of the footnoted information. The lower range is 1,000 words and this is the total words of the main bulk of the minor variation application form and assumes that some premises will be familiar with the application already and will not need to spend as much time reading and comprehending the document. The central estimate sits within the lower and upper range at 1,850 words.
47. The Readingsoft calculator is used to estimate the time taken to read and fill out the form. The hourly wage of a publican, taken from the Annual Survey of Hours and Earnings 2023 (ASHE) (£14.68) is then multiplied by an ONS non-wage uplift (1.1364) to give an hourly labour cost of £16.68. The total cost is estimated by multiplying the total labour cost (£16.68) by the number of hours to submit the form, and the number of premises who would have needed to apply for a minor variation (4,200). The total value of this benefit per year is estimated to be between £1,000 and £3,000, with a best estimate of £1,900.

Benefit 3 – LA processing cost saving

48. Because premises would not have to apply for a minor variation, LAs would save the costs which they would have incurred in processing the variations from premises. When the fees for such variations were set out, along with others, as part of the Licensing Act 2003, they were set at levels which targeted cost recovery for LAs. For a minor variation, the fee is £89. Because the fee has remained unchanged since its introduction, the high scenario includes a 25 per cent uplift in the cost of processing, to account for inflation and uncertainty. Had fees increased in line with inflation these would be approximately 60 per cent-70 per cent higher, though the processing cost is not expected to have increased to that degree. The number of minor variation applications which LAs would receive is modelled using the assumption set out in paragraph 32. The value of this benefit per year is estimated to be between £198,000 and £742,800, with a best estimate of £371,400.

Non-monetised benefits

Benefit 4 – Increased profit

49. The ability for premises with an on-sales licence to sell alcohol in a licensed pavement area as well as their existing premises for no additional cost may bring higher sales and therefore profits. Due to an absence of suitable data this has not been monetised. One of the reasons the temporary easements were introduced was to support businesses during the COVID-19 pandemic, and continuing to ease the burden on premises wishing to make off-sales could help premises with their debt burden and shortfall arising from that period. It is estimated that the hospitality sector emerged

from the pandemic with £10 billion of COVID-19 related debt²³, so any increase in revenue arising from this measure is a benefit to the sector and the premises affected.

50. Option 1 is likely to lead to a higher impact on profits than options 2 and 3. This is because option 1 include automatic off sales including takeaway sales of alcohol rather than solely allowing for consumption in a licenced pavement area.

Benefit 5 – Wider social and economic benefits

51. There may be additional wider social and economic benefits in making the temporary regulatory easements permanent. These are not monetised due to an absence of data.
52. This policy is likely to generate economic effects by increasing the number of revenue streams a premise can benefit from and deregulating the sector. Giving premises this flexibility may help generate wider economic benefits, particularly if this measure leads to increases in employment in the hospitality sector. This has direct benefits on individuals who are seeking employment, which will lead to lesser demands on the welfare state.
53. This policy may also create wider benefits to society through promoting the continuation of outside socialisation, of which adds community value and cohesion. This will be of particular prevalence through the cost-of-living crisis which is likely to lead to an increase individual's reliance upon community hubs and support.
54. Due to an absence of reliable data on how many jobs may be created through diversifying a premise's revenue streams, and also that of societal benefits, it has not been possible to monetise this benefit.

Value for money (VfM)

55. Non-monetised costs and benefits are an important factor in assessing VfM for these options. Primarily, the ability for premises to sell alcohol in an adjoining licensed pavement area and for takeaway and for delivery at no additional cost could lead to increased profits. In the context of high debt in the hospitality sector, outlined in paragraph 49, this is an important measure in helping hospitality businesses maintain viability as they continue to serve as social meeting places and community hubs.
56. To maintain good VfM, policing and health harms must be low, but due to an absence of data the potential costs have not been monetised. Anecdotal evidence from police engagement suggests that the regulatory easements did not lead to a noticeable rise in crime.
57. Table 2 presents the monetised costs and benefits identified in this appraisal, with the net societal benefit and net benefit to businesses shown as the Net Present Social Value (NPSV) and the Business Net Present Value (BNPV) respectively.
58. The monetised total benefit is estimated to be between £1.2 million and £6.4 million (PV) with a best estimate of £3.2 million (PV) over 10 years. The monetised total cost is estimated to be £2,000 (PV) in the low estimate, with a best estimate of £13,000 (PV) and a high estimate of £37,000 (PV) over 10 years.
59. The NPSV is estimated to be between £1.4 million and £6.4 million (PV) with a best estimate of £3.2 million (PV) over 10 years.
60. The net impact on business (BNPV) is estimated to be between £1.7 million and £5.1 million with a central estimate of £3.2 million. The best estimate net annual direct cost to businesses (EANDCB) is -£0.4 million, with a low estimate of -£0.2 million and a high estimate of -£0.6 million.

²³ Alcohol Licensing (Coronavirus) (Regulatory Easements) debate 24/10/23, column 40GC
[https://hansard.parliament.uk/Lords/2023-10-24/debates/8C02D342-363C-4577-828C-F354FA6A8C46/AlcoholLicensing\(Coronavirus\)\(RegulatoryEasements\)\(Amendment\)Regulations2023](https://hansard.parliament.uk/Lords/2023-10-24/debates/8C02D342-363C-4577-828C-F354FA6A8C46/AlcoholLicensing(Coronavirus)(RegulatoryEasements)(Amendment)Regulations2023)

Table 2: Options 1, 2 and 3 summary costs, benefits, NPSV and BNPV (£ million PV) 10 years, 2024/25 prices

Summary, £m (3dp)	Low	Central	High
Costs			
Total Transition Costs	0.0	0.0	0.0
Total Ongoing Costs*	0.0	0.0	0.0
<i>Total Costs</i>	0.0	0.0	0.0
Benefits			
Total Transition Benefits	-	-	-
Total Ongoing Benefits*	1.7	3.2	6.4
<i>Total Benefits</i>	1.7	3.2	6.4
NPSV	1.7	3.2	6.4
BNPV	1.7	3.2	5.1

Source: Internal Home Office Analysis 2024

*Economic transfers are not included

Place-based analysis

61. This legislation will be applicable in England and Wales because alcohol licensing is a devolved matter in Scotland and Northern Ireland, and is not defined at a more local level.

Impact on small and micro-businesses

62. The new measures outlined within this legislation may have an impact on small and micro businesses (SMBs) in the hospitality industry. These are businesses employing fewer than 50 people and are 36,110 in number. This is expected to be a net benefit due to the reduced complexity of the system and the potential for a reduction in alcohol licensing fees paid and time spent filling out forms. Using ONS data, analysis finds that the majority (98.6%)²⁴ of business within the Beverage Serving Activities sector are SMBs.
63. SMBs have not been exempted from this legislation. It is vital that these small and micro-sized businesses are included in the scope of the proposed duty to ensure business benefits are reaped across all premise sizes.
64. Table 2 monetises the direct costs and benefits to businesses. These are not anticipated to disproportionately affect SMBs, however it should be noted that benefits, such as saved fees, may be of a larger benefit to a smaller business as reflected in their balance sheets.
65. Overall, the impact on SMBs is likely to be small and positive. There is not expected to be any additional burdens imposed on SMBs that wouldn't fall on larger businesses. However, it is noted that the same level of cost might be a greater burden for SMBs due to their size.

F. Proportionality

66. A proportionate approach was taken to monetise as many impacts as possible, prioritising the most substantial costs and benefits. Where impacts have not been monetised, either due to proportionality or the absence of evidence, a qualitative summary has been provided.

²⁴ ONS (2023) *UK business: activity, size and location*, 2023 dataset, Table 4. Available at:

<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

G. Risks

Economic risks

67. In some parts of the analysis there is limited evidence and incomplete data. This is particularly the case when estimating the number of premises that hold both pavement licences and alcohol licences. There is a risk that this analysis could be over- or underestimating the number of pavement licences and the number or premises that hold pavement licences in tandem with alcohol licences. This risk has been slightly mitigated by consulting on the most appropriate data sources to use and agreeing on a modelling approach with DLUHC colleagues.
68. There is limited understanding and evidence on the true processing cost for LAs regarding licensing applications and whether this matches the licensing fee. This economic rationale assumes cost recovery, which may be an under or overestimate of this true cost. However, this is a typical economic approach in appraisals which concern licensing.
69. There is a risk that some premises may pay for a major variation (£100 to £1,905)²⁵ and accompanying local newspaper advertisement to add off-sales to their existing on-sales licence. This would mean that the benefits identified are an underestimate of the true value.
70. There is a risk that premises are double counted in Table 1, as businesses can select multiple SIC codes. This may affect the assumption in paragraph 28, though the extent of double counting is expected to be low.
71. Across the economic modelling, low and high estimates have been used to account for potential fluctuations and seasonal variation in the data. Furthermore, taking a range of estimates in the narration of the rationale considers the uncertainty of these costings.
72. In the rationale there are a number of assumptions made on the data and also modelling approaches. These data sources are footnoted, and assumptions explained for transparency.

Policy risks

73. It is not possible to estimate any change to health harms or crime and disorder using the data available. These will need to be monitored over time. To mitigate any potential increase in disorder associated with alcohol being consumed in the pavement area, conditions attached to on-sales premises licences may need to be reviewed and if necessary separate conditions applied in respect of the pavement area (for example terminal hours which mirror terminal hours for the pavement licence).
74. It is likely that the number of premises which benefit from these options will taper down over the appraisal period, as many those existing premises who wish to sell alcohol will have likely made changes to do so in year one, reducing the potential impact in subsequent years. It has not been possible to quantify the scale of this.
75. There is a risk that option 1 could lead to adverse effects for premises with an on-sales licence should licencing officers consider the on-sales licence with automatic off-sales. If considerations over on-sales and off-sales are not kept separate, then this could potentially result in rejected applications for on-sales licences or removal of a premises licence following a review that would not have otherwise occurred due to concerns over the automatic off-sales. This is somewhat mitigated by allowing LAs to impose a conditions in the case where the automatic off-sales leads to a rise in anti-social behaviour. For example, conditions could remove the automatic granting of the takeaway sales; or might set a terminal hour for the pavement licence, whilst allowing for continued sales inside the premises, if necessary to avoid noise problems at night in a residential neighbourhood.

²⁵ <https://www.gov.uk/government/publications/alcohol-licensing-fee-levels/main-fee-levels>

H. Direct costs and benefits to business calculations

76. There is one cost for businesses in all policy options:
- **Familiarisation costs:** this is the cost to businesses of reading and comprehending a small piece of policy text.
77. There are two benefits for businesses in all policy options:
- **Decrease in costs for affected premises;** this is the benefit to businesses of reduced fees.
 - **Saved time for staff;** this is the saving to businesses of a simplified licensing processes.

Table 6: Off-sales, costs and benefits to business, (£ million PV) 10 years, 2024/25 prices

Policy option	Estimate	BNPV	EANDCB
Option 1, 2, 3	Low	1.7	-0.2
	Central	3.2	-0.3
	High	5.1	-0.5

Source: Internal Home Office Analysis

I. Wider impacts

78. An Equalities IA has not been completed at this stage.
79. Small and micro businesses are expected to benefit more than larger businesses, as stated previously. This is because the licensing fee will represent a greater weight in smaller balance fees. Such smaller businesses may also benefit from having more diverse revenue streams from allowing them to make alcohol off-sales as well as on-sales.
80. Businesses manufacturing alcohol may benefit from an increased number of vendors. This may similarly benefit smaller manufacturers such as micro-breweries for whom finding a large scale vendor is difficult. Similarly, the increased number of vendors may benefit consumers of alcohol if the greater number results in a more competitive market and therefore lower prices or better service.
81. The greater ease in selling alcohol may cause an increase in alcohol consumption. As this consumption may take place outside the licensed premises, there is potential for behaviour that is influenced by alcohol to affect wider society. This may take the form of anti-social behaviour and crime which is associated with the immediate area outside alcohol related businesses²⁶. Increased consumption may also have negative health effects for wider society.

J. Trade Impact

82. The new measures outlined within this impact assessment will not have an impact on international trade.

²⁶(2022) Reducing violence in the night-time economy, College of Policing: <https://www.college.police.uk/guidance/interventions-reduce-violence-against-women-and-girls-vawg-public-spaces/reducing-violence-night-time-economy>

K. Monitoring and evaluation plan

83. The Home Office will collect and analyse the consultation responses related to these policy options and will continue to monitor alcohol-related crime data.

L. Annexes

Impact Assessment Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p data-bbox="204 680 580 714">Statutory Equalities Duties</p> <p data-bbox="204 750 1318 891">These options are not anticipated to have a differential impact on persons on the basis of protected characteristics. This will apply equally to all, meaning the person seeking a licence is any person who wishes to carry out regulated activities, irrespective of any protected characteristics.</p> <p data-bbox="204 927 847 960">The SRO has agreed these summary findings.</p>	<p data-bbox="1390 786 1442 819">Yes</p>