

<b>Economic Note</b>	<b>Number: HOEN</b>
<b>Title of regulatory proposal</b>	The Alcohol Licensing (Coronavirus) (Regulatory Easements) (Amendment) Regulations 2021
<b>Lead Department/Agency</b>	Home Office
<b>Expected date of implementation</b>	30 September 2021
<b>Origin</b>	Domestic
<b>Date</b>	24 May 2021
<b>Lead Departmental Contact</b>	<a href="mailto:AlcoholStrategy@homeoffice.gov.uk">AlcoholStrategy@homeoffice.gov.uk</a>
<b>Departmental Assessment</b>	<b>GREEN</b>

**Rationale for intervention, objectives and intended effects**

The hospitality industry has suffered a severe economic impact from the COVID-19 pandemic. The two regulatory easements proposed in these regulations are intended to assist the recovery of the hospitality industry. The increase in premises allowances of temporary event notices (TENs) will enable licensed and unlicensed premises to host more revenue-generating events. The extension of a temporary permission to undertake off-sales will allow up to 38,000 licensed premises to continue selling alcohol for consumption outdoors, to take away or for home delivery.

**Policy options (including alternatives to regulation)**

**Option 1:** Do nothing. Allow the temporary permission for off-sales to expire on 30 September 2021 and keep the number of TENs allowed per premise unchanged.

**Option 2:** Amend the Licensing Act 2003 and the Business and Planning Act 2020 to increase the premises allowance for TENs and the maximum duration of temporary events for a period of two years. Amend the Business and Planning Act 2020 to extend its temporary off-sales provisions until 30 September 2022.

**Option 2 is the Government's preferred option** as it is expected to help the hospitality industry recover after COVID-19.

**Costs and benefit summary**

The main costs of the proposed measure consist of familiarisation costs for businesses to understand the regulatory easement, combined with fees to apply for more TENs. The main benefit from this policy measure is an expected increase in revenue for licensed premises following an increased opportunity to conduct licensable activities. While this benefit is un-monetisable, the benefits are expected to outweigh the costs.

<b>Total Cost £m PV</b>	<b>Transition Cost £m</b>	<b>Cost to Business £m</b>	<b>Total Benefit £m PV</b>
1.5	0.0	0.0	0.0
<b>NPSV (£m)</b>	<b>BNPV (£m)</b>	<b>EANDCB (£m)</b>	<b>BIT Score (£m)</b>
-1.5	0.0	0.0	0.0
<b>Price Base Year</b>	<b>PV Base Year</b>	<b>Appraisal period</b>	<b>Transition period</b>
2021-22	2021-22	2 years	1 year

<b>Departmental sign-off (SCS):</b>	Paul Regan	Date: 26/05/2021
<b>Chief Economist sign-off:</b>	Tim Laken	Date: 26/05/2021
<b>Better Regulation Unit sign-off:</b>	Chris Batchelor	Date: 26/05/2021

# Evidence Base

## 1. Background

1. Since March 2020, premises licensed to sell alcohol have operated under various restrictions that have limited their ability to trade as normal with significant impacts on their revenue. Evidence from trade organisations and think tanks using industry data has suggested significant financial losses for the hospitality industry, with night clubs being one of the most severely impacted establishments as they've been shut since March 2020 (see para 2).
2. The on-premises consultancy CGA reports that around 6,000 licensed premises closed in the year 2020 across Britain<sup>1</sup>. The British Beer and Pub Association has estimated a year-on-year decrease in beer sales of £7.8 billion in 2020<sup>2</sup>. A Resolution Foundation survey published in February 2021 suggests that more than half of hospitality companies have less than three months' worth of cash reserves remaining<sup>3</sup>.
3. The Business and Planning Act (BPA) 2020 was enacted in July 2020 to help businesses and support the economic recovery from COVID-19. It included a range of measures to help businesses and their customers adjust to new ways of working as the country recovered from disruption caused by COVID-19.

## 2. The policy issue and rationale for government intervention

4. This proposal aims to help the hospitality sector recover from the negative business impacts of COVID-19 by enforcing the following two measures:
  - a) **Increasing premises allowance for Temporary Event Notices (TENs)** and the maximum total duration of such notices for the next two calendar years (January 2022 to December 2023).

TENs are used for two purposes: (a) allowing licensable activities such as the sale of alcohol to take place in a building or plot of land that does not normally have a premises licence (they are often given to markets where a trader intends to sell alcohol, and to wedding reception venues); (b) allowing a business that has a premises licence to undertake licensable activities that its licence does not currently allow. For example, a pub might apply for a TEN to continue serving alcohol beyond its normal operating hours for a special occasion.

Secondary legislation is required to amend the limits prescribed in the Licensing Act 2003, by order subject to the affirmative resolution procedure.

This measure will enable more events to take place by increasing the number of TENs allowed for a single premise from 15 to 20 per year in the calendar years 2022 and 2023. It will also increase the maximum total duration of those events from 21 to 26 days.

- b) **Extending the provisions of section 11 of the Business and Planning Act 2020** will allow premises that were licenced only to sell alcohol for consumption on the premises until July 2020 to continue to benefit from a temporary permission to make sales for consumption off the premises for a further 12 months, until 30 September 2022. As this measure is extending a current provision, no new analysis has been conducted and the measure will not be covered in this Economic Note.

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<sup>1</sup> CGA (2021) [Market Recovery Monitor January 2021](#)

<sup>2</sup> BBPA (2021) [Beer and pub sector leaders press Government for reopening date, as sales plummeted 56% in 2020 – down by £7.8 billion](#)

<sup>3</sup> Resolution Foundation (2021) [On Firm Ground. pg8](#)

### 3. Policy objectives and intended effects

5. The strategic and transformational objective is to contribute to UK prosperity.
6. The policy objective is to help the hospitality industry recover after having been unable to operate normally during the COVID-19 pandemic by increasing premises allowances of TENs.
7. The intended effect of this measures is to offer premises opportunities to increase their revenue by hosting more temporary events over a two-year period. The licensable activities that a TEN authorises include the sale of alcohol, certain forms of entertainment and the supply of late-night refreshment (hot food or drink between 11p.m. and 5a.m.).

### 4. Policy options considered, including alternatives to regulation

8. To meet the policy objectives, two options have been considered:
  - a) **Option 1:** Do nothing. Keep TEN's allowances and length to 15 and 21 days respectively, as specified in the Licensing Act 2003
  - b) **Option 2:** Amend the Licensing Act 2003 through an affirmative statutory instrument to increase the premises allowance for TENs and the maximum duration of temporary events for a period of two years.
9. **Option 2 is the Government's preferred option** as it is expected to help the hospitality industry recover after COVID-19.

#### Non-regulatory options

10. No non-regulatory options were considered. The Licensing Act 2003 established a tight regulatory framework. This meant licensing authorities had little scope to apply discretion in matters such as TENs allowances that are capable of assisting the recovery of the hospitality industry. The economic wellbeing of the local community or of licensed premises is not one of the four licensing objectives (the prevention of crime, public safety, prevention of public nuisance and protection of children) that must underpin all decisions of a licensing authority. Therefore, any action that a licensing authority might take could only be of incidental benefit to economic wellbeing.

### 5. Appraisal

#### General assumptions and data

11. Approximately 140,000 TENs were issued in 2017/18, according to ONS data<sup>4</sup>. However, there is no robust estimates of TENs usage after the end of the proposed roadmap in June 2021 due to a lack of data on potential demand.
12. The proposed measure would increase the number of TENs available per premise from 15 to 20 TENs per year, representing at most a 33 per cent increase in the overall TENs issued. In the absence of data on the average notices used per premise and the average length they are used for, it is assumed that an increase in the usage of TENs in line with the maximum increase allowed by the proposed measure constitutes the upper bound estimate whilst the central estimate assumes an uptake of 75 per cent of the additional allowance and the lower estimate assumes a 50 per cent uptake of the additional allowance.
13. Using the total number of TENs issued in 2017/18 as a base, it is estimated that this measure could lead to a maximum of 47,000 additional TENs requested per year. This is the upper bound estimate. The low and central estimates are 0.5 and 0.75 of the maximum estimate: 23,000 and 35,000 additional TEN's respectively. These estimates assumes there are no more lockdowns

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<sup>4</sup> Home Office (2018) [Alcohol and late night refreshment licensing England and Wales 31 March 2018: Table 17](#)

in England and Wales during the two-year period following the introduction of this measure in September 2021. The upper bound estimate assumes that each premise that previously used TENs, will use the new allowance fully

14. Due to the uncertainty regarding future lockdowns and potential demand in the future, the assumptions used to estimate the upper bound should be used with caution. Most premises do not use their full existing TENs allowance, meaning this measure might not affect them significantly. There is likely to be more TENs used in the year following the introduction of this measure than in 2017/18. However, whether that is specifically to do with this measure, or whether it is a broader impact of COVID-19 restrictions being lifted, is unknown.

## Benefits

### Benefit 1 - Increased revenue to Licensing Authorities (fees)

15. Each TEN application costs businesses £21. It is estimated that there will be an additional 23,000 to 47,000 TENs applied for in each year following this legislation. As such, Licensing Authorities' (LAs) earnings are estimated between £0.5 to **£1.0 million per year** in fees collected, in 2021/22 prices, with a central estimate of £0.7 million per year. However, as this increased income is simply the fees paid by businesses, it is considered a transactional cost (or a transfer cost) and has therefore been excluded from the NPSV for this measure.

### Benefit 2 - Increased revenue for businesses

16. There is no robust data on average expenditure at a venue following the granting of a TEN as premises use them in multiple fashions (for events as well as to extend opening hours over busy periods). Estimating demand is similarly unreliable and due to the lack of data on these two components it was not possible to robustly estimate the increase in revenue to premises using a TEN.
17. It is assumed that businesses would assess their expected demand and revenue before applying for TENs.

### Benefit 4 – Wider economic and social benefits

18. This measure is intended to support the economic recovery of the hospitality sector by allowing businesses to apply for more TENs and to sell alcohol at more events over the two years of the policy. This may generate wider benefits for the economy if this measure prevents job losses and insolvencies in the hospitality sector, and along supply chains. It may also generate wider benefits for society if it allows premises with community value to continue to operate. Increased number of events may also help combat social isolation. Due to a lack of robust information on how many jobs or premises might be protected by this measure, it is not possible to quantify this benefit.

## Costs

### Cost 1 – Familiarisation costs for affected premises

19. There may be familiarisation costs for affected premises making staff aware of this policy change. Premises will not be required to take any action as a result of the change, and thus the only familiarisation costs are reading the new legislation. This is calculated as the average time to read and fully comprehend 100 to 300 words of written text multiplied by the total estimated cost of wages to businesses (£16.00) of Publicans and managers of licensed premises.<sup>5</sup> The cost is estimated in a range of **£0 to £0.1 million**, with a central estimate of **£0.03 million** in year 1 only.

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<sup>5</sup> ONS (2020) [Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14.5a](#)

## **Cost 2- Increased work time for licensing authorities**

20. This policy could lead to an increased workload for licensing authorities, who might have to deal with up to an additional 47,000 TEN's applications per year following the introduction of this measure. Amongst 315 LA's, this amounts up to 148 applications each (may not sum due to rounding). Due to lack of data, it is assumed that licence fees are set at a level which compensates for the time spent by licensing authorities processing them. As identified in Benefit 1, this is estimated at between £0.5 to **£1.0 million per year**, in 2021/22 prices, with a central estimation of £0.7 million per year. However, this might be an under-estimate if some applications take longer to process, but given that most TEN's are approved, with less than 3 per cent being rejected or needing modifications, it is assumed that the burden on LA's does not differ significantly from the cost of the licence.

## **Cost 3- Increased cost to businesses (fees)**

21. This policy will lead to an additional cost to businesses in terms of application fees if they choose to apply for more TEN's following the introduction of this measure. This is estimated at between £0.5 to **£1.0 million per year**, in 2021/22 prices, with a central estimation of £0.7 million per year. As these costs are fees and a transactional cost, they are not included in the NPSV for this measure.

## **Cost 4 – Increased crime and disorder**

22. There is a strong link between alcohol and crime, with 42 per cent of all violent incidents in 2019/20 being alcohol-related according to the Crime Survey England and Wales<sup>6</sup>. International evidence suggests that there is a positive association between the density of alcohol outlets in an area and the level of crime and disorder<sup>7</sup>. Crime has a considerable social impact, with an average violence without injury offence costing approximately £6,800 to society<sup>8</sup> in 2021/22 prices, including costs to victims, health services and the police.

23. There may be an increase in alcohol-related crime and disorder (including disorder relating to breaking social distancing guidelines) due to an increase in events where alcohol can be sold. It is assumed that by the time this measure comes into effect, there will not be restrictions on the alcohol trade industry or requirements for social distancing being enforced in England and Wales. If that was the case, alcohol-related crime could be assumed to be similar to pre-pandemic levels. However, it is possible that it may be greater than previous levels, due to pent up demand for drinking alcohol in a public house social situation. There is considerable uncertainty around this impact given that the current situation is novel and has few comparators.

24. Due to the considerable uncertainties around identifying the impact of this policy change on crime and disorder, this cost has not been quantified. The TEN's may be objected to and be modified or rejected if deemed to be a problem. Specifically, if the police believe a TEN may lead to a disproportionate increase in crime and disorder, then an objection may be lodged to attempt to have the TEN withdrawn.

## **Cost 5 – Increased health harms**

25. This policy may lead to a net increase in alcohol sales, although there may be some displacement from existing consumption (for example, from off-sales purchases at supermarkets). A net increase in alcohol consumption may lead to a temporary increase in alcohol-related health harms, such as liver cirrhosis or cardiovascular disease. The magnitude and nature of these harms will depend on the health and social conditions of the individuals consuming additional alcohol, as well as the pattern of their additional consumption (for example, moderate versus binge drinking). Due to the considerable uncertainties around

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<sup>6</sup> ONS (2020) [Nature of crime: violence](#)

<sup>7</sup> Public Health England (2016) [The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies An evidence review](#) pg 112 - 115

<sup>8</sup>Home Office (2018) [The economic and social costs of crime Second edition pg 7](#)

identifying the change in alcohol-related health harms resulting from the policy, this cost has not been quantified. However, it is not expected to be a significant cost.

## Value for money metrics

26. Table 1 presents the costs and benefits identified in this assessment, which are all assessed over a two-year appraisal period, from January 2022 to December 2023.
27. The costs and benefits presented in this analysis indicate a net cost from this measure. However, this is because a robust estimate cannot be made of the revenue to businesses from having more, and longer, TEN licences. This measure is expected to lead to a net benefit to businesses if taking into account the unquantifiable revenues for businesses, with a neutral effect on LA's.
28. As there is no quantifiable benefit to business, both the **Business Net Present Value (BNPV) and the net cost to business (EANDCB)<sup>9</sup> are zero. The NPSV is between -£1.0 to -£2.0 million with a central estimate of -£1.5 million.**

**Table 1: Estimate of Net Present Social Value (NPSV) 2022-23, England and Wales, £ million**

<b>TOTAL BENEFITS (PV)</b>	<b>Low</b>	<b>Central</b>	<b>High</b>
Increased revenue for LAs (fees)*	1.0	1.4	1.9
<b>TOTAL COSTS (PV)</b>			
Familiarisation costs	0	0.03	0.1
Increased work time for LAs	1.0	1.4	1.9
Application fees*	1.0	1.4	1.9
<b>TOTAL NPSV**</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-2.0</b>

\*Not included in the NPSV as these are transfer costs.

\*\*Might not sum due to rounding.

## 6. Risks

29. There is considerable uncertainty associated with this analysis. There is uncertainty around consumer/business behaviour post-lockdown as well as uncertainty regarding future potential lockdowns. The lack of information around the current average use of TENs and length of TENs by each business establishment also creates uncertainty around the usage of the additional TENs provided by this policy change.

## 7. Implementation, monitoring and evaluation

30. Published guidance for the Business and Planning Act 2020 measures will be amended to reflect the new end date. Guidance on temporary event notices in the statutory guidance issued under section 182 of the Licensing Act 2003 will be amended to reflect the temporary changes to allowances. These changes will be made as soon as the instrument is commenced. Trade associations, the Local Government Association, the Institute of Licensing and the National Association of Licensing Enforcement Officers will be made aware of these changes.
31. There are no plans to monitor or evaluate this legislation. These are temporary measures with a low, expected positive financial impact on businesses.

<sup>9</sup> This is defined as the Equivalent Annual Net Direct Cost to Business and is the metric used by the Regulatory Policy Committee (RPC). It is referred to as the 'net cost to business per year' in the IA.



## Specific Impact Test Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p><b>Statutory Equalities Duties</b></p> <p>The Public Sector Equality Duty (PSED from the Equality Act 2010) requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations in the course of developing policies and delivering services.</p> <p>In evaluating the impact of the changes to TENs, due consideration has been undertaken to assess any discriminatory impacts on groups with protected characteristics including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.</p> <p>Specifically, the Home Office have considered whether this policy will impact particular groups who are most affected by alcohol-related health harms. In particular, it has considered whether the measures, which will allow for more opportunities to sell alcohol at events and off-trade, will disproportionately impact men, specifically those aged 45 – 74 years.</p> <p>Men are more likely than women to have drunk in the last week, and in 5+ days of the previous week<sup>10</sup>. They are more likely than women to score as at an increased or higher risk of drinking on Alcohol when using the Disorder Identification Tests (AUDIT)<sup>11</sup> and are almost twice as likely to die from alcohol-specific deaths than women<sup>12</sup>. Men aged 45 – 74 years are those most likely to drink, with 23 per cent of men aged 65 – 74 years having drunk 5+ times in the last week<sup>13</sup>. An Equality Impact Assessment (EIA) for the regulations will not be published. In addition, the Government is satisfied that these regulatory measures are compatible with the European Convention on Human Rights, which outlaws unjustifiable discriminatory practice.</p> <p>The public sector equality duty has been considered.</p> <p><b>The Senior Responsible Owner has read and agreed with these findings.</b></p>	<p><b>Yes</b></p>

Any test not applied can be deleted except **the Equality Statement**, where the policy lead must provide a paragraph of summary information on this.

The Home Office requires the **Specific Impact Test on the Equality Statement** to have a summary paragraph, stating the main points. **You cannot delete this and it MUST be completed.**

<sup>10</sup> NHS Digital (2020) [Health Survey for England: Adults' health-related behaviours data tables – 2019](#), Table 14

<sup>11</sup> NHS Digital (2020) [Health Survey for England: Adults' health-related behaviours data tables – 2019](#), Table 13

<sup>12</sup> ONS (2021) [Alcohol-specific deaths in the UK](#)

<sup>13</sup> NHS Digital (2020) [Health Survey for England: Adults' health-related behaviours data tables – 2019](#), Table 9