Rt Hon Baroness Smith of Basildon
House of Lords
London
SW1A 0PW

17$^{\text{th}}$ April 2014

Dear Angela,

During the debate on the Licensing Act 2003 (Mandatory Licensing Conditions) Order 2014 on 25 March, you asked for evidence of the change that the Order would bring about. I am writing to set this out for you, and I apologise for the delay in my response.

Researchers at the School of Health and Related Research (ScHARR) at the University of Sheffield have carried out extensive modelling on alcohol pricing.

The ScHARR model estimated the impact of a ban on below cost selling on alcohol consumption and alcohol harms in England by calculating the average relative price change for alcoholic products necessary in order to comply with the legislation. ScHARR elasticities were then applied to these average price changes to calculate the effects of such price increases for each product group on consumers, placed in subgroups based on various factors including age and gender. The baseline and after-intervention consumption levels for these subgroups are then used to estimate the impact of this policy on crime and health, as different subgroups have different levels of baseline risk.

To quantify the relationship between levels of consumption and alcohol attributable harms, the ScHARR model uses a methodology built around two concepts:

1)   Alcohol Attributable Fractions: the proportion of the harm attributable to alcohol; and

2)   Relative Risk: the risk that a person exposed to a certain degree of alcohol will experience/cause a particular harm relative to a person not exposed to alcohol.

The two can be used to produce an equation for each crime and harm type showing how risk of causing that harm increases as alcohol consumption increases. The crime harms outcomes are presented in terms of number of offences prevented and associated cost of crime and Quality Adjusted Life Year (QALY) impact to the victim.
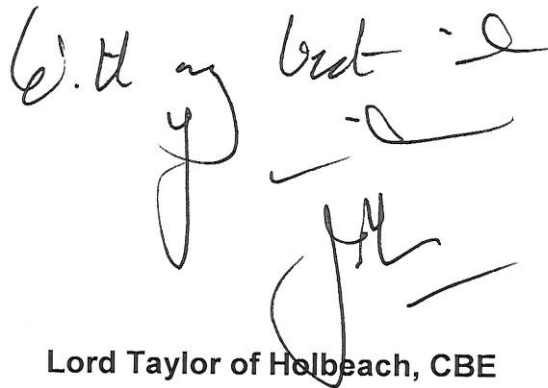
For health harms, the ScHARR model considers 47 separate acute and chronic conditions related wholly or partially to alcohol. The health harms include those wholly attributable, such as alcohol liver disease and accidental poisoning, and partially attributable such as throat cancer. A mean lag of 10 years was assumed for all chronic conditions.

The direct health cost component comprises of NHS cost reductions, measured by: number of reduced illnesses; deaths; and hospitalisations. Health related QALYs are calculated using the difference in health-related quality of life in individuals with alcohol health harms and the quality of life measured in the general population (or 'normal health').

Further information on the calculations used by the University of Sheffield can be found in Annex 3 of the Impact Assessment for this policy.

I hope you find this response helpful. Please do not hesitate to contact me with any further concerns.

I am copying this letter to Lord Clement-Jones, who spoke during the debate, and I will arrange for a copy to be placed in the Library of the House.

Lord Taylor of Holbeach, CBE