

Impact Assessment, The Home Office

Title: Amendments to the Poisons Act 1972

Date: 10 January 2023

IA No: HO0431

RPC Reference No: N/A

Stage: FINAL

Other departments or agencies: N/A

Intervention: Domestic

Measure: Secondary legislation

Enquiries:

precursorsandpoisons@homeoffice.gov.uk

RPC Opinion: N/A

Business Impact Target: non-qualifying provision

Cost of Preferred (or more likely) Option (in 2023 prices)

Net Present Social Value NPSV (£m)	-0.6	Business Net Present Value BNPV (£m)	-0.6	Net cost to business per year EANDCB (£m)	0.1
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What is the problem under consideration? Why is government intervention necessary?

In light of terrorist attacks in the UK and Europe using explosives, such as the 2017 attack in Manchester, the government is seeking to strengthen and clarify the Poisons Act 1972 that controls the sale of chemicals that can be used in the illicit manufacture of explosives or to cause harm. The proposed amendments aim to reduce the likelihood of further successful terrorist attacks in GB by imposing new restrictions and safeguards relating to the purchase of explosives precursors and poisons. Government intervention is necessary to prevent and detect terrorist acquisition of explosives to increase the security of the GB public.

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

The strategic objective of the amendment is to protect Homeland Security and keep GB citizens safe. The policy objective is to prevent terrorists using explosives in attacks without disproportionately restricting the public's legitimate accessibility to these substances. To do this, the legislation will provide a mechanism to alert authorities to terrorist activity while minimising the burden on industry and legitimate users.

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

Option 1: (Do-nothing) do not implement the amendments and leave regulations on these substances unchanged.

Option 2: Amend the Poisons Act 1972: supply chain notification, verification of professional user status, 24-hour reporting obligations, online marketplace obligations, changes to licensable substances, and requirement for retailers and marketplaces to make suspicious activity reports (SARs) using a gov.uk portal. This is **the Government's preferred option** as it meets the Government's objectives.

Main assumptions/sensitivities and economic/analytical risks

Discount rate (%)


3.5

The main sensitivity is around the volumes of businesses and marginal time increase taken to complete tasks. Estimates for the number of businesses affected have been informed by expert opinion and are largely assumption-driven. There is an analytical risk these are inaccurate. There is also an analytical risk that the costs have been underestimated as several impacts have not been estimated. There is a policy risk that businesses may not comply with the regulations, the misuse of these chemicals may not be reduced, or the threat is displaced elsewhere. This may lead to an adverse economic risk and ineffective measures, meaning weaker value for money for the taxpayer.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: January 2027

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:

23

January 2023

Summary: Analysis & Evidence

Policy Option 2

Description: Amendments to the Poisons Act 1972

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2023	PV Base	2023	Appraisal	10	Transition	1
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	-1.2	High:	-0.1	Best:	-0.6	Best BNPV	-0.6	

COSTS, £m	Transition Constant Price	Ongoing Present Value (£m)	Total Present Value (£m)	Average/year Constant Price	To Business Present Value
Low	0.1	0.0	0.1	0.0	0.1
High	1.2	0.0	1.2	0.1	1.2
Best Estimate	0.6	0.0	0.6	0.1	0.6

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

Total cost is estimated to be **£0.1 to £1.2 million (PV)**, with a central estimate of **£0.6 million (PV)** over 10 years. **Costs to business** are estimated to be in the same range over 10 years as nearly all the estimated costs accrue to businesses. A major cost is awareness raising and training of new obligations on reportable substances. This is estimated at **£0.1 to £0.6 million (PV)**, and a central estimate of **£0.3 million (PV)** over 10 years, representing a large proportion of the estimated cost.

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

Home users may be restricted from purchasing chemicals for use in their hobbies. Some businesses may lose business due to the restrictions, as not everyone may be willing to purchase a licence. The volumes of users affected are unknown and it was not possible to monetise this cost. Test purchasing and enforcement costs have not been monetised due to a lack of evidence.

BENEFITS, £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	0.0
High	0.0	0.0	0.0	0.0	0.0
Best Estimate	0.0	0.0	0.0	0.0	0.0

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

It was not possible to monetise any benefits due to a lack of data.

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

The implementation of this amended legislation should mean the public will be, and feel, safer. It is expected to reduce the likelihood or impact of a potential terrorist attack by limiting the access to potentially harmful and dangerous substances, reducing the costs to society as a result of an attack. Additionally, this is expected to act as a driver for retailers / manufacturers to reform some practices. Use of the online portal for reporting SARs should lead to more granular detail on potential suspects and a defined data template that can be used by the police.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:										
Cost, £m	0.1	Benefit, £m	0.0	Net, £m	-0.1					
Score for Business Impact Target (qualifying provisions only) £m:					0.3					
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:	N/A	Non-Traded:	N/A		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 2)

Are all relevant Specific Impacts included?	Yes	Are there any impacts on particular groups?	Yes
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Evidence Base (for summary sheets)

A. Strategic objective and overview

A.1 Strategic objective

1. The strategic objective of the amendment is to protect Homeland Security and keep GB citizens safe. The policy objective is to prevent terrorists using explosives in attacks without disproportionately restricting the public's legitimate accessibility to these substances. To do this, the legislation will provide a mechanism to alert authorities to potential terrorist activity while minimising the burden on industry and legitimate users.

A.2 Background

2. The Poisons Act 1972 (PA 1972) was amended via the Deregulation Act 2015 (DA 2015) to introduce a cohesive system for controlling the marketing and use of chemicals which can be used in the illicit manufacture of homemade explosives or to cause harm (poisons). The current legislation bans the sale, import, possession and use by the general public of eight explosives precursors (Part 1 of Schedule 1A to the PA 1972) above specified concentrations and 15 poisons (Part 2 of Schedule 1A to the PA 1972) unless they are in possession of a valid Home Office issued Explosives Precursors and Poisons (EPP) licence.
3. Retailers and wholesalers are responsible for adhering to the licensing regime. They are also responsible for labelling restricted products. Retailers must also monitor transactions of all the substances listed in Schedule 1A to the PA 1972 for suspicious activity.
4. This impact assessment (IA) considers recommended amendments for the PA 1972 that seek to strengthen and clarify controls of the sales of chemicals that can be used in the illicit manufacture of homemade explosives and to cause harm.

A.3 Groups affected

5. The following groups will be affected by **Option 2**, but to varying degrees dependant on the relevant measures.

Member of the public (home users)

6. Home users will be affected. There are legitimate household or hobby uses for some of the substances affected by the policy amendments. For substances which are being added to the lists of regulated explosives precursors and poisons, consumers will need to either apply for a licence and demonstrate a legitimate purpose when buying the controlled substances or will need to find a safer alternative product to use. There's also a possibility home users will end up discontinuing the legitimate use.

Public retailers

7. Public retailers refer to companies selling chemicals for household or hobby use, including those selling online. This would typically include pharmacies, home improvement stores, garden centres, stores selling pool and spa supplies and pest control supply companies. Depending on the measures, public retailers will need to check licences, identify and report suspicions or cease trading certain products.

Online marketplaces

8. Online marketplaces will be required to have in place appropriate, proportionate procedures to comply with the same measures as public retailers, including suspicious activity reporting, adapted to their specific environment. This may involve checking licences by asking customers to send scanned copies of paper licences and associated ID before regulated substances are dispatched or requiring couriers to check licences when the products are delivered.

Professional users

9. Business and professional users will be affected by the need to demonstrate an ongoing business use for the chemicals at point of purchase.

Production supply chain: producers, manufacturers, transporters, and wholesalers

10. Producers, manufacturers, transporters, and wholesalers in the UK are expected to be affected by the need to label products within scope of the legislation, the need to report suspicious transactions, thefts and significant losses and by changes in demand for their products. They may also be required to re-train staff given the changes to restricted substances.

General public

11. The public may be expected to be safer because of the reduced chance of misuse of dangerous chemicals.

Central government

12. The Home Office and authorities will administer the licensing scheme and reporting hotline, ensure legal compliance and act against retailers found to be supplying poisons in breach of the regulation.

A.4 Consultation

Within government

13. The Home Office consulted extensively across government departments to gather a strong evidence base for each proposed amendment. This included creating an expert working group including representatives from the Centre for the Protection of National Infrastructure (CPNI), the Defence Science and Technology Laboratory (Dstl) and the Health and Safety Executive (HSE) alongside other departments. Significant engagement also took place with the Department for Business, Energy and Industrial Strategy (BEIS) and Cabinet Office (CO) to consult on the effect of these amendments on the UK Internal Markets Act 2020 (UKIMA 2020) and the Northern Ireland Protocol. Home Office officials also hosted workshops with all devolved administrations to understand the effect of these amendments, noting this is a reserved matter in Scotland and Wales with Northern Ireland having their own EPP regulations. All devolved administrations and relevant government departments were consulted ahead of the public consultation, and again ahead of the SI proposals being laid.

Public consultation

14. A public consultation on potential amendments to the PA 1972 ran for 12 weeks between 16 December 2021 to 10 March 2022.
 - A total of 127 responses were received.
 - 118 received through the online consultation survey hosted on gov.uk.

- 110 were from members of the public, professional users, associations or licence holders.
 - 3 responses came from suppliers or manufacturers.
 - 5 responses were left completely blank.
 - A further 9 responses were provided by email (5 from associations representing business and chemical retailers and manufacturers, and 3 came from members of the public. An additional response was provided from “pupils 2 parliament” - a project where school pupils can input into public consultations).
 - A few stakeholders also submitted responses via letter, including from the British Retail Consortium who represent over 200 major retailers.
 - 4 consultation workshops were also held with business associations, chemical industry associations, hobbyist associations and members of the British Retail Consortium.
15. Following analysis of the consultation responses, the Home Office decided to proceed with implementing Option 3 in the original Consultation IA (which is now **Option 2** in this Final IA) but decided not to implement the proposal to introduce upper concentration thresholds for regulated explosives precursors. It was considered that this measure would have a disproportionate effect on members of the public who currently hold EPP licences, and that the aims of the measure can be met in a more proportionate way. A complete breakdown of the responses to the consultation can be found in Annex A, alongside the Government’s response to the consultation.

B. Rationale for intervention

16. The PA 1972 sets out a framework for mandatory suspicious transaction reporting and licensing restrictions on members of the public to import, acquire, possess and use niche and more dangerous explosives precursors and poisons.
17. Proposed amendments seek to address key legislative priorities for controlling explosives precursors identified following the Manchester Arena and Parsons Green explosive attacks.¹ This includes new obligations for online marketplaces and bolstering checks on professional users to prevent substances of concern being used for illegitimate purposes.
18. Implementation of explosives precursor and poison controls forms part of the Chemical, Biological, Radiological and Explosive (CBRE) Protect strategy, which aims to prevent and detect the acquisition of dangerous materials or the construction of explosives. This is done through a variety of policy tools: research to understand the availability of substances, legislation, support to industry self-regulatory regimes (encouraging industry to secure or remove products of potential harm), awareness raising and voluntary measures.
19. The Government is best placed to resolve this as it is not possible for another body to intervene and prevent individuals from purchasing highly concentrated chemicals to cause harm. Previously poisons controls were administered locally through local authorities (LAs). However, this was considered too burdensome for LAs and businesses, which led to the 2015 Deregulation Act amending the Poisons Act in its current form to take a national approach instead.

C. Policy objective

20. The policy objectives of the proposed amendments are to:

¹ Manchester Arena: Manchester attack - BBC News: <https://www.bbc.co.uk/news/uk-england-manchester-40008389> and see: Parsons Green: Underground blast - BBC News: <https://www.bbc.co.uk/news/uk-41278545>

- Prevent terrorists using explosives in attacks, without disproportionately restricting the public's accessibility to these substances.
- Provide a mechanism to alert authorities to potential terrorist activity, to prevent attacks in the future.
- Minimise the burdens on industry and legitimate users and simplify and clarify measures.
- The amendments intend to strengthen existing safeguards around explosives precursors and poisons, making it harder for terrorists and other illicit actors to purchase and use substances to cause harm while still maintaining access for legitimate users.

D. Options considered and implementation

21. There are two options for the UK Government in relation to the proposed amendments to the PA 1972:
 - **Option 1:** (Do-nothing) Do not implement the amendments.
 - **Option 2: Implement the identified amendments.**
22. **Option 2** includes measures 1 to 6 outlined in Table 1. This is intended to strike a balance between prosperity, freedom of choice and security. **Option 2** is the most restrictive including greater restriction of the substances that can be made available to members of the public through licence.
23. **Option 2 is the Government's preferred option** as it meets the Government's objectives.

Table 1, Measures 1-6, proposed amendments to the Poisons Act 1972, UK, 2023.

No.	Measure	Description of Measure
1	Supply chain notification	Economic actors (producers, wholesalers, distributors and retailers) supplying a restricted substance to another economic operator must inform them of the restrictions and reporting obligations. Economic actors supplying any substances to professional users or members of the public must ensure and be able to demonstrate that its personnel are aware which of its products contain listed substances and are instructed on obligations.
2	Verification of professional user status	Economic actors supplying regulated substances to professional users and other economic actors shall request proof of ID of individuals entitled to represent their trade, business or profession; company name, address; VAT number; and intended use. The supplier should assess whether the intended use is consistent with the trade, business or profession. If in doubt, the sale can be refused but must be reported to the Home Office and Counter Terror Policing as a suspicious transaction using a GOV.UK online portal. All transactions of regulated substances must be recorded and retained for 18 months and available for inspection.
3	24-hour reporting obligations	Economic actors should already report suspicious transactions regarding all circumstances and have in place appropriate, proportionate procedures to detect suspicious transactions. This measure shall require all reports be made within 24 hours of considering that a transaction or attempted transaction is suspicious using a GOV.UK online portal. Economic actors, professional users and members of the public shall report significant disappearances and thefts within 24 hours of detection.
4	Online marketplace obligations	Online marketplaces shall have in place appropriate, proportionate procedures to comply with measures in the PA 1972, adapted to their specific environment.
5	Changes to licensable substances	New substances will be added to the lists of regulated and reportable precursors and poisons under the PA 1972, such as ammonium nitrate (see Annex A).
6	Requirement for retailers and marketplaces to report SARs using a gov.uk online portal	Retailers and marketplaces will now be required to report Suspicious Activity Reports (SARs) using an existing GOV.UK online portal, though a phone line will remain open where it is not possible to report online. This will include a requirement to include all relevant and currently held identifiable information when inputting SARs.

Source: Home Office, 2022

E. Appraisal

The economic costs of these measures have been estimated using publicly available data. All estimated costs have been adjusted to 2023 prices. These estimations are based on those from the Consultation IA. Responses from the consultation have been used to build on this previous analysis, where possible.

General assumptions and data

24. While efforts have been made to understand the costs and benefits to all affected groups, it is necessary to make assumptions to produce some cost-benefit estimates and ranges. Currently,

most of the costs are provided only to give a sense of scale and rely on the current best assumptions rather than robust evidence. After reviewing the consultation and available evidence, it was not possible to monetise benefits. The current assumptions include:

- The likelihood of making a suspicious transaction or significant loss or theft report is the same as for other types of trade already under obligation.
- The appraisal period over which this analysis has been conducted is 10 years, and a social discount rate of 3.5 per cent is used, in line with the Green Book (2022) guidance.²
- Wage costs have been used as a proxy for time spent rather than to represent additional financial burden to businesses. Wage costs include both direct wage costs as well as non-wage costs, to represent the full marginal cost of labour to businesses. These represent the opportunity cost of a worker's time. The new processes are expected to take up the time of an employee that could have otherwise been completing a different task and so businesses have to forego profitable actions to be compliant with the new measures.
- The monetised cost and cost ranges are based on assumptions about the amount of time that might be taken to perform each activity. The evidence base underlying these assumptions has been produced through stakeholder discussions where possible.
- Currently, data used is sourced from prior market research and Standard Industrial Classification (SIC) tables (See Annex B) detailing business numbers.³ Labour costs per hour are taken from the Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) tables.⁴ Eurostat data is used for uplifting this cost to include non-wage costs.⁵

Number of Businesses and Employees Affected

25. Estimates of the number of retailers of some substances which would be affected by measures in the IA has been produced by researching the uses of chemicals that will be affected under these measures and matching them to relevant SIC codes. This builds on the previous research completed in the 2018 Consultation IA and is shown in Annex B (Table B.1).⁶
26. Table 2 presents business type using SIC codes (see Annex B for full details) to produce the estimated number of businesses affected. Due to the level of uncertainty in estimating the number of businesses affected, the analysis presents a range, using the same 1 per cent and 10 per cent methodology as the previous 2018 Consultation IA (Table B.1) which used expert opinion.⁷ These have been used to estimate the potential number of businesses and number of employees affected by the measures outlined.

² HMT Green Book (2022) – <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

³ Standard Industrial Classification (SIC) Tables – <https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities>

⁴ Annual Survey of Hours and Earnings (ASHE) – <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsasheguidetotables>

⁵ Eurostat – <https://ec.europa.eu/eurostat>

⁶ EU Regulation on the Marketing and Use of Explosives Impact Assessment (2018) – [The Poisons Act 1972 \(Explosives Precursors\) \(Amendment\) Regulations 2018: https://www.legislation.gov.uk/ukxi/2018/451/impacts](https://www.legislation.gov.uk/ukxi/2018/451/impacts)

⁷ EU Regulation on the Marketing and Use of Explosives Precursors Consultation Impact Assessment (2018) - <https://www.legislation.gov.uk/ukxi/2018/451/impacts>

Table 2, Estimated potential number of businesses affected by measures⁸

Business Type	Low	Central	High
Retailers	877	4,824	8,770
Wholesalers	126	695	1,264
Producers	90	897	493
Totals	1,093	6,012	10,931

Source: ONS Business Activity and Size (2022)

Note: Figures have been rounded so may not add up precisely to the totals presented.

27. To produce an estimate for the number of employees affected, the median of bracket bands for number of employees per business size were used from the same data source and multiplied by the estimated number of businesses affected. In the case of businesses with more than 250 employees an assumption of 500 employees was made, though this is only applicable to a small number of businesses.

Table 3, Estimated potential number of employees affected by measures⁹

Business Type	Low	Central	High
Retailers	4,633	25,482	46,331
Wholesalers	1,709	9,401	17,092
Producers	1,866	10,262	18,658
Totals	8,208	45,145	82,081

Source: ONS Business Activity and Size (2022)

Note: Figures have been rounded so may not add up precisely to the totals presented

Number of Licence Holders Affected

A licence holder is a member of the public who has been granted access, by the Home Office, to purchase and use Explosives Precursors and Poisons that are currently regulated in the Poisons Act.

As of December 2022, there were 124 active and valid Explosives Precursors and Poisons (EPP) Licences. These will be affected by changes to the limits in availability of regulated substances set out in Annex A. One licence holder may have access to multiple regulated explosive precursors.

Appraisal

Table 4, Measures and associate cost categories, 2022.

No.	Measure	Costs associated with measures
1	Supply chain notification	E.1 – Awareness raising and training. E.2 – Putting in place systems to pass on information regarding reportable substances in their products.
2	Verification of professional user status	E.5 – Putting in place systems to verify professional status. E.6 – Monitoring of compliance and enforcement costs.
3	24 hour reporting obligations	E.4 – Putting in place systems to meet 24-hour reporting obligation.

⁸ ONS Data for estimating the size and number of businesses that will be affected by measures - accounts for all economic actors (2022) -

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

⁹ ONS Data for estimating the size and number of businesses that will be affected by measures - accounts for all economic actors (2022) -

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

4	Online market place obligations	E.3 – Informing Online Market Place retailers of their obligations to report suspicious transactions.
5	Changes to licensable substance and concentrations	E.7 – Providing information for prospective buyers on restrictions concerning concentration. E.8 – Verifying which products are affected. E.9 – Labelling affected products. E.11 – Loss of sales resulting from reduced accessibility for home users to controlled substances. E.12a – Processing licences and keeping a record of licensed users. E.12b – Cost of a licence to users. E.13 – Decreased utility resulting from reduced accessibility to controlled substances
6	Requirement for retailers and marketplaces to report SARs using a GOV.UK online portal	E.10 - Businesses moving to report SARs through the portal rather than through current methods.

Source: Home Office, 2022.

COSTS

Set-up costs

Costs to business

E.1 Awareness raising and training

28. Producers, transporters, wholesalers and retailers of regulated and/or reportable substances will need to understand and inform their staff of the new obligations outlined under **Option 2** that affect their business.
29. Producers and transporters that already deal in regulated and/or reportable substances are expected to have a one off training session. It has not been possible to estimate the number of transporters affected due to a lack of available data. As such, this cost is **unknown**. The findings of the consultation suggest that this is unlikely to be a significant cost for each transporter, but there is a potentially large number of transporters and so this could still be a large underestimate of the total cost.
30. For producers, retailers and wholesalers who currently sell regulated and/or reportable substances, it is assumed that training will be required for all members of staff in each store in Year 1 of the appraisal period. This training is required to inform staff of their new obligations and is in addition to regular annual training already undertaken. It is expected that the costs will be negligible from Year 2 onwards as the requirements of the new obligation become part of the annual training already undertaken.
31. There are an estimated 493 producers of regulated substances in the UK and an estimated 10,262 employees (from Tables 2 and 3). The estimated median hourly wage of an employee, taken from Annual Survey of Hours and Earnings (ASHE), Table 14.5a, is £12.48 for process, plant and machine operatives (code: 8). This is uplifted by 22 per cent to reflect non-wage costs, giving a gross hourly cost of an employee of £15.20.¹⁰ This is further uplifted to 2023 prices to £15.68. The 22 per cent uplift is calculated by dividing the non-wage costs (17.9%) by the remaining wage costs (82.1%), which gives 21.8% (rounded to 22%).¹¹ The awareness raising and training is assumed to take 30 minutes. The calculation is: staff volume x time x gross hourly wage. The estimation of the training cost to producers lies in the range of £0.01 to £0.15 million, with a central estimate of £0.08 million (2023 prices), in Year 1 only.
32. There are an estimated 5,518 total retailers and wholesalers of regulated substances in the UK and an estimated 34,883 employees (from Tables 2 and 3). The estimated median hourly wage of an employee, taken from Annual Survey of Hours and Earnings (ASHE), Table 14.5a, is £10.41 for sales and customer service occupations (code: 7). This is uplifted by 22 per cent to reflect non-wage costs, giving a gross hourly cost of an employee of £12.68.¹² This is further uplifted to 2023 prices, to £13.10. The 22 per cent uplift is calculated by dividing the non-wage costs (17.9%) by the remaining wage costs (82.1%), which gives 21.8% (rounded to 22%).¹³ The awareness raising and training is assumed to take 30 minutes. The calculation is: staff volume x time x gross hourly wage.
33. The estimate of familiarisation and training lies in a range of **£0.1 to £0.6 million**, with a central estimate of **£0.3 million (2023 prices)**, in Year 1 only.

¹⁰ Hourly pay - Gross (£) - For all employee jobs: United Kingdom, 2022 - <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashetable14>

¹¹ ONS Data on the Gross Pay for different Professions multiplied by the uplift from Eurostat (2019) - https://ec.europa.eu/eurostat/databrowser/view/lc_lci_lev/default/table?lang=en

¹² Hourly pay - Gross (£) - For all employee jobs: United Kingdom, 2022 - <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashetable14>

¹³ ONS Data on the Gross Pay for different Professions multiplied by the uplift from Eurostat (2019) - https://ec.europa.eu/eurostat/databrowser/view/lc_lci_lev/default/table?lang=en

E.2 Putting in place systems to pass on information regarding regulated and/or reportable substances in their products

34. Under Measure 1 (see Table 1), producers, wholesalers and retailers will be required to pass on information regarding the regulated and/or reportable substances present in their products and their concentration.
35. Manufacturer and formulators at the beginning of the supply chain are expected to be aware of the regulated or reportable substances present in their products and are currently required to work with the supply chain to ensure products are appropriately labelled. Based on information from the 2018 consultation and an industry association, it has been suggested that if they are made aware of the requirement in advance of the regulation coming into force, the cost of providing this information should be **negligible**. This is supported by the findings of the 2021 consultation that retailers broadly feel that generally these proposals are unlikely to have much impact on their operations. The consultation received over 120 responses from members of the public and industry. This includes responses from multiple large associations, including the British Retail Consortium who represent over 200 major retailers.
36. It is expected that the cost of transferring this information to subsequent actors in the supply chain will also be **negligible**.

E.3 Informing online market place users of their obligations to report suspicious transactions

37. Under Measure 4 (see Table 1), online market places will be required to inform sellers on their platform of their obligations to adhere to regulations regarding regulated and/or reportable substances. To estimate this cost, information is needed on the proportion of marketplaces operating online and how much time / cost increases they may see as a result of these amendments. This cost is currently unknown due to not having a sense of the number of online marketplaces affected. When referring to online marketplaces, this includes platforms where buyers and sellers can meet, and the platform does not take a stake in the sales made. As it is not possible to estimate the number of online marketplaces meeting this scope, it's not feasible to estimate a cost and so this is marked as **unknown**.

E.4 Putting in place systems to meet 24-hour reporting obligation

38. Under Measure 3 (see Table 1), producers, transporters, wholesalers, and retailers of reportable substances will be required to report suspicious transactions and significant losses within 24 hours of noticing that a transaction is suspicious or detecting a significant loss or theft.
39. As of Q2 2020/21 it takes economic actors an average of eight days to complete a SAR. Following the consultation, it has been confirmed there will be no requirement for businesses to increase the frequency of data runs to report SARs. This is because the 24 hours starts from when the suspicious activity is detected, not when it occurs, meaning the retailer can still run through their data weekly as they do presently.
40. However, training will still be required to become familiar with the new process and so an initial re-training cost for staff due to a new system is estimated. It is assumed that one employee per business will be trained to the new SARs system in the first year. The training is assumed to take 30 minutes.
41. There are an estimated 6,012 total producers, retailers and wholesalers of regulated substances in the UK in the central estimate. In the low estimate, it is estimated that 1,093 businesses will be affected, and in the high estimate, it is estimated that 10,931 businesses will be affected. The estimated gross average hourly cost of an employee's time is £13.10 for retailers and wholesalers, and £15.70 for producers. (See E.1 for wage and non-wage uplift costs).
42. The estimate of training costs lies in a range of **£0.0 to £0.1 million**, with a central estimate of **£0.0 million (2023 prices)**, in Year 1 only. This cost is only estimated to be realised in Year 1 because

it is assumed that one employee per business will be trained to the new SARs system in the first year.

E.7 Providing information for prospective buyers on restrictions concerning concentration

43. This refers to the costs associated with businesses needing to take time to provide information to prospective buyers. This is already standard practice, but as a result of Measure 2 (see Table 1) there will be an increased number of products that require information provided.
44. It is assumed that providing information will be required by all members of staff in each store in Year 1 for retailers and wholesalers who currently sell regulated and/or reportable substances. It is expected that the costs will be **negligible** from Year 2 onwards, as those looking to buy will have been given the relevant information and businesses will have better absorbed the changes. Through the consultation, retailers have confirmed the costs are likely to be **negligible**, with little to no change needed to current requirements.

E.8 Verifying which products are affected

45. This refers to the costs associated with businesses needing to check which of their products are affected by the new regulations.
46. It is assumed that producers and specialist suppliers would already be aware of their products and do not incur a cost. Sellers of ammonium nitrate and products containing ammonium nitrate which are being added to the list will already be aware of these products (as it is already a reportable substance) and will also not incur this cost. Based on the findings of the consultation, this cost is expected to be **negligible**. The amendments will come into force in October 2023, and businesses will have about 8 months to prepare for the changes. Online guidance will be provided to inform businesses as to how they can comply with the new regulations, and further guidance will be offered to any business if they need further assistance.

E.9 Labelling affected products

47. Retailers will need to work with their suppliers to ensure that products containing chemicals with concentrations above the new limits are labelled, if they are to be made available to the general public. Based on information from the 2021 consultation we assume that as long as manufacturers and formulators are made aware of the requirement in good time before the regulation comes into force, the costs of adding a single line of text to a label are likely to be **negligible**.

E.10 Businesses moving to report SARs through the portal rather than through current methods.

48. Under Measure 6 (see Table 1), all businesses will be required to report SARs through the GOV.UK portal, with more in-depth detail required; including identifiable information where this is routinely collected and held by the business as part of a sale. Businesses will need to spend time training staff to report SARs through the portal (which is an up-front cost) but is not expected to increase the time taken to use (as it is run automatically in the background and then briefly checked over).
49. There is potential for a time saving by using the portal, and its automation. This has not been costed as there is no reliable source of evidence as to how much time would be saved as a result of using the portal.
50. It is assumed that this reporting SARs will be completed by one member of staff in each store for retailers and wholesalers who currently sell reportable substances. The following cost ranges are used to give a sense of scale and are based on the best estimates of business numbers and assumption of the time taken.

51. There are an estimated 5,518 total retailers and wholesalers of regulated substances in the UK. The estimated average hourly cost is £13.10 per hour (see calculation in E.1), and the first-year training to use the online portal is assumed to take four hours. Therefore, the estimated cost lies in a range of **£0.1 to £0.5 million**, with a central estimate of **£0.3 million** (2023 prices) in the first year only. Currently this range also assumes all retailers report SARs, whereas some will report through a head office if are a large organisation, which will reduce time spent on the task per site.

Costs to members of the public (home users)

E.12b Cost of a licence to users

52. Members of the public (that is, non-professional consumers) who want to continue using chemicals that have been moved into the regulated list will have to refamiliarise themselves with the regulated list and apply for a licence.
53. A licence currently costs £39.50 and so this will only affect a small number of individuals (see costing under E.12a). Any cost incurred by members of the public will represent an economic transfer as this cost is paid to the Government. As such, there is no net cost to society.
54. A range of estimates of the cost of home users familiarising themselves with the newly regulated substances have been estimated. In the central estimate, it is assumed that the average reading speed of a person from a screen is 300 words per minute.¹⁴ Therefore, it will take approximately 0.02 hours to read the 122 words in Annex A (Table A.1 and Table A.2) detailing the newly regulated substances. At present, the guidance has not been issued, and so the number of words contained in the tables in Annex A have been used as an estimate of the length of the guidance as they contain the key information on regulated substances. In practice, the guidance is likely to contain more words than this, and so the estimate of the familiarisation costs may be an underestimate. The high and low estimates are based on less conservative and more conservative assumptions respectively for the time to read these 122 words. The number of words that users must read is assumed to be the same in each of the low, central and high estimates.
55. Twenty-one individuals responded to the public consultation indicating that they are intending to use hydrochloric acid, phosphoric acid, or hexamine. If they intend to keep using these substances, they will need to apply for a licence. There is no available evidence to inform a high or low estimate of the number of members of the public who will need to apply for a licence. This is likely to be an underestimate as there are likely to be additional members of the public who will now need to apply for a licence.
56. It has been assumed that the 122 home users who currently hold a licence and the 21 home users who will now need to obtain a licence will familiarise themselves with this. As such, this 143 people who will need to read and understand this legislation has then been multiplied by the estimate of the estimated non-working time cost of £6.81 per hour (2023 prices).
57. The estimate of familiarisation lies in a range of **£0 to £505**, with a central estimate of **£252 (2023 prices)**, in Year 1 only. The number of people who may need to familiarise themselves with the guidance could be more, and the length of the guidance may be longer than estimated here, but given how low the familiarisation costs are given these assumptions, the costs will likely remain very minimal.

Total set-up costs

58. Total set-up cost is estimated in a range of **£0.1 to £1.2 million (PV)**, with a central estimate of **£0.6 million (PV)** over 10 years.

¹⁴ ReadingSoft calculator: <http://www.readingsoft.com>

Ongoing costs

Costs to Business

E.5 Putting in place systems to verify professional status

59. Under Measure 2 (see Table 1), producers, wholesalers and retailers of regulated substances will be required to verify professional user status and report suspicious activity associated with such users.
60. Under existing legislation producers, wholesalers and retailers of regulated substances are required to check that a business is a legitimate business. Measure 2 will require that this process is formalised with the recording of relevant data. Based on the findings of the consultation, it is expected that producers, wholesalers, and retailers will already record this data as part of the existing transaction process. However, there is no robust evidence on the extent to which this information is already recorded or how much additional time may be required to do this and so the cost is **unknown**.

E.11 Loss of sales resulting from reduced accessibility for home users to controlled substances

61. Stricter regulation around licensing for chemicals will inevitably deter some members of the public from buying controlled substances, resulting in lower revenue for businesses.
62. Where an alternative does exist, but costs more (for example, diluted versions of the same chemical), there may be a potential benefit to business as it is expected that a higher profit margin can be made from these products (2021 consultation IA).
63. The number of individuals affected by changes in regulation is likely to be very small. As there is no available evidence as to the potential number of reduced purchases, the cost to businesses is **unknown**.

Costs to the Public Sector

E.6 Monitoring of compliance and enforcement costs

64. The Home Office assumes that all individuals and organisations comply with the law, as non-compliant behaviour is illegal. The expectation is that most businesses and the general public will comply with the regulations. If a business or a member of the general public is found to be non-compliant, action will be taken which could result in criminal prosecution.
65. If information is received about non-compliance, the police will be notified and will take appropriate action.
66. A small percentage of randomly selected retailers and businesses in each area will also be subject to routine test purchasing. Guidance has been prepared on how to conduct the test purchases ensuring they are conducted ethically and within the bounds of the regulation.
67. Information to estimate this cost is not known and it has not been possible to estimate these costs. There is no reliable source of evidence as to the rate of non-compliance and prosecution. As such, this cost is **unknown**.

E.12a Processing licences and keeping a record of licensed users

68. The Home Office will need to process any additional licences that members of the public apply for as a result of the changing substance list.
69. A licensing system was previously set up upon implementation of EU regulation 9/8/2013. It is not expected that there will be any additional staff needed to manage the addition of the new chemical

restrictions. Any appeals would go through judicial review (JR) and have an impact on the Criminal Justice System. No appeals have been submitted since September 2014 when the licensing regime came into operation. This is expected to continue following the introduction of the new regulations.

70. Processing an application is assumed to take one hour (on average). 30 minutes of this is assumed to be Home Office processing time in which an EO-grade civil servant co-ordinates and processes the application. The other 30 minutes of this is assumed to be police time in which a Police Constable processes the application and reports back to the Home Office. The resource cost of processing a licence is calculated for each of these to give a total economic cost.
71. Although the licence costs £39.50 to applicants, the resource cost of processing this is higher. There is assumed to be one EO who processes the applications at the Home Office. The estimated total average hourly cost (including overheads, pensions and national insurance) is £51.97 per hour and the processing is assumed to take 30 minutes.¹⁵ There is assumed to be one Police Constable who processes the applications for the police. The estimated average hourly cost is £37.79 per hour and the processing is assumed to take 30 minutes. In total, there is estimated to be a resource cost of £47.44 per licence processed.
72. Twenty-one individuals responded to the public consultation indicating that they are intending to use hydrochloric acid, phosphoric acid, or hexamine. If they intend to keep using these substances, they will need to apply for a licence. In the central estimate, it has been assumed that these 21 members of the public will apply for a licence and will need to subsequently renew this licence every three years.¹⁶ There is no available evidence to inform a high or low estimate of the number of members of the public who will need to apply for a licence. This central estimate is likely to be an underestimate as there is likely to be additional members of the public who will now need to apply for a licence. However, the cost for the 21 individuals who will need to apply for a licence is £0.0034 million (PV) over 10 years (2023 prices). Even if the number of new licence holders is ten times the number assumed, the cost would remain small.
73. Existing licence holders may also need to amend their licence due to the additional regulated substances. There are presently 124 licence holders and in the central assumption it has been assumed that 100% of these will need to renew their existing licence within a year of the new measure coming into effect. This is likely to be an overestimate as it is unlikely that all existing licence holders will need to renew their licence. Licence holders must renew their licence every three years. As such, the cost of renewing a licence is brought forwards in time by the regulation, resulting in a small additional cost. This gives a central cost per annum of £5,052.
74. Over 10 years, the estimated central cost is **£0.01 million (PV)** over 10 years (2023 prices).

Costs to members of the public (home users)

E.13 Decreased utility resulting from reduced accessibility to controlled substances

75. Public users may not be able to continue their interest if they cannot gain access to these chemicals, for example, pyrotechnics, modelling or pool maintenance. In some instances, they may be able to find a substitute, however some may have to forego this hobby. This will only affect a small number of people – 124 existing licence holders as well as 21 individuals identified through the consultation who will need to purchase a licence. It is not possible to monetise the decreased utility to these people as there is no basis for assumptions as to how many public users will not be able to continue these hobbies and the extent to which they value them. As such, the total cost is **unknown**.

Total ongoing costs

¹⁵ Home Office Staff Cost Model (internal)

¹⁶ Licensing for home users of poisons and explosive precursors (2023) - <https://www.gov.uk/government/publications/licensing-for-home-users-of-explosives-precursors/licensing-for-home-users-of-poisons-and-explosive-precursors#fees>

76. Total ongoing cost is estimated in a range of **£0.0 to £0.1 million (PV)**, with a central estimate of **£0.0 million (PV)** over 10 years.

Total cost for Option 2

77. The total cost of **Option 2** is estimated in a range of **£0.1 to £1.2 million (PV)**, with a central estimate of **£0.6 million (PV)** over 10 years.

BENEFITS

Set-up benefits

78. **Option 2** is not expected to have any set-up benefits.

Ongoing benefits

79. The intended benefit of this policy is to reduce the likelihood and/or impact of a potential terrorist attack. A terrorist seeking to execute an attack could be disrupted through one of the following mechanisms:
- a. Terrorists try to obtain one of the restricted substances, but due to reporting of SARs within the 24-hour obligation reporting period it leads to an earlier investigation. This is expected to increase the likelihood that the attack to be disrupted prior to execution.
 - b. Terrorists are deterred from buying the new substances because of the need to verify their status and use of the substance. Instead, they substitute to a less harmful substance perhaps leading to a less serious attack type which limits the potential for harm.
80. By reducing the likelihood and/or impact of a potential terrorist attack there may be a reduction in the costs faced as a result of an attack. Attacks can lead to wider economic loss that will be restricted by implementing **Option 2**. By implementing these measures, it is expected to create both a potential cost saving to society but also produce a safer environment for the public.
81. It has not been possible to monetise these benefits due to a lack of available evidence. The benefit of reducing the number of deaths and injuries from terrorism is hard to monetise, partly due to the small sample size of terrorist events to examine, as well as the difficulties in monetising the effects of traumatic harm on people. It has not been possible to estimate the number of terrorist incidents that would have occurred in the absence of these measures, or how many there would be with these measures in place. Additionally, it has not been possible to estimate the difference in impact if terrorists substituted to using a less harmful substance or leading to a less serious attack type. Instead, the benefits presented here are qualitative descriptions of non-monetised benefits.
82. The expected benefits measures are expected to act as a driver for retailers / manufacturers to reform some practices and behaviours, to allow legitimate activities by the public and business but remove or reduce the availability of the substances to those seeking to use them for opportunistic or illegal activities.
83. The measures are expected to reduce the likelihood or impact of a potential terrorist attack by limiting the access to potentially harmful and dangerous substances whilst still allowing for legitimate use. It ensures that all economic actors make use of the online portal for reporting SARs which should lead to more granular detail on potential suspects and a defined template for all incoming data that can be used by the police.

Total cost, benefit and NPSV, BNPV, EANDCB

84. The total cost is estimated in a range of **£0.1 to £1.2 million (PV)**, with a central estimate of **£0.6 million (PV)**. No benefits are monetised and the monetised benefit is given as **zero**.
85. The Net Present Social Value (NPSV) is estimated to be in a range of **-£0.1 to -£1.2 million**, with a central estimate of **-£0.6 million** over 10 years.
86. The Business Net Present Value (BNPV) is estimated in a range of **-£0.1 to -£1.2 million**, with a central estimate of **-£0.6 million over 10 years**. This is the same as the NSPV because the estimated costs to business make up the bulk of the total cost, with other costs being minimal.¹⁷ The net direct cost to business per year, as given by the EANDCB, is estimated in a range of **-£0.0 to -£0.1 million**, with a central estimate of **-£0.1 million** (2023 prices).¹⁸

Table 6, Option 2, cost benefit summary, £ million (PV), 2023 prices.

Description	Low	Central	High
COSTS			
Set-up	0.1	0.6	1.2
Ongoing	0.0	0.0	0.0
Total	0.1	0.6	1.2
Cost to business	0.1	0.6	1.2
Total benefit	0.0	0.0	0.0
NPSV	-1.2	-0.6	-0.1
BNPV	-1.2	-0.6	-0.1
EANDCB	-0.0	-0.1	-0.1

Table 6 Source: Home Office, own estimates, 2023.

Value for Money (VfM)

87. The Net Present Social Value (NPSV) is estimated to be in a range of **-£0.1 to -£1.2 million**, with a central estimate of **-£0.6 million** over 10 years. The monetised total costs outweigh the monetised total benefits. However, the Home Office is currently unable to monetise the main benefits of reducing the likelihood and/or impact of a potential terrorist attack. If these could be monetised, the NPSV may be positive.
88. The policy is expected to deliver value for money by meeting its objectives, in that it will strengthen existing safeguards around explosives precursors and poisons, making it harder for terrorists and other illicit actors to purchase and use substances to cause harm while still maintaining access for legitimate users. These measures are expected to increase the likelihood that an attack is disrupted. Additionally, terrorists are expected to be deterred from buying the new substances and may substitute to a less harmful substance, potentially leading to a less serious attack type which limits the potential for harm.
89. By reducing the likelihood and/or impact of a potential terrorist attack, there may be a reduction in the costs to society as a result of an attack, and a safer environment for the public. Although it has not been possible to monetise these benefits, and it has not been possible to estimate all potential costs, those costs that have been estimated are relatively low, and it would seem likely that the policy will deliver VfM.

Impact on Small, Medium and Micro-businesses

¹⁷ Other costs are small such that they round to 0.0 when rounding to one decimal place.

¹⁸ The EANDCB is defined as the Equivalent Annual Direct Cost to Business, which is a monetised estimate of the administrative burden on business from regulation. It is monitored across government by the Regulatory Policy Committee (RPC).

90. A small and micro-businesses assessment (SaMBA) has been conducted to understand how these measures might affect small, medium and micro-businesses (SMMBs) and how this may differ from the effect on large businesses.
91. The default Regulatory Policy Committee (RPC) position is to exempt small, medium and micro-businesses (SMMBs) fully from the requirements of new regulatory measures. However, the evidence suggests that the objectives of the amendments to the Poisons Act 1972 (PA 1972) would not be achieved by exempting SMMBs. SMMBs comprise the majority of businesses selling the explosive precursors substances targeted by the legislation and exempting these businesses would render the legislation ineffective. To ensure the objectives of the policy are realised, there can be no exemption for SMMBs.
92. The amended measures will impact producers, transporters, wholesalers and retailers that use and sell these regulated substances. It is difficult to proportionately estimate the number of businesses that will be affected by the policy. Estimates of the number of retailers of some substances which would be affected by measures in the IA have been produced by researching the uses of chemicals that will be affected under these measures and matching them to relevant SIC codes. This builds on the previous research completed in the 2018 consultation stage IA. The SIC codes and types of businesses assumed to be affected can be found in Annex B (Table B.1).¹⁹
93. Table 5 shows the estimated number of businesses which could potentially be affected by the policy based on the relevant SIC codes and the ONS Business Size, Activity and Location data.²⁰ These are split into retailers, wholesalers and producers. It has not been possible to estimate the number of transporters affected by the measures and so the total number of businesses affected is likely to be an underestimate. The definition for a medium business has recently changed from 50-249 employees to 50-499 employees. The available data currently only shows the number of businesses with 50-249 employees and no data on medium businesses of a size of up to 499 employees was available. Therefore, the number of businesses with 50-249 employees is presented, recognising that it is likely an underestimate of the number of medium sized businesses. In addition, the number of businesses with more than 50 employees is also presented for comparison, recognising that this also includes large businesses.

Table 5, Number of potential businesses affected by the measures

Business Type	Micro businesses (1 – 9)	Small businesses (10 – 49)	Medium businesses (50 – 249)	Medium businesses (50+)
Retailers	80,955	6,010	620	735
Wholesalers	9,835	2,260	465	545
Producers	6,065	2,185	625	720
Total	96,855	10,455	1,710	2,000

Home Office estimates, 2022

94. Table 6 presents the number of businesses assumed to be within the scope of the measures. Due to the level of uncertainty in estimating the number of businesses affected by these measures, a low, central, and best estimate of the number of potential businesses that will be affected by the legislation has been presented. In the low and high estimates, it has been assumed that 1 per cent and 10 per cent of businesses respectively identified in Table 6 will be affected. An average of the low and high estimate has been taken in the central estimate. This is based on the same methodology as the previous 2018 consultation stage IA (Table B.1) which used expert opinion.²¹

¹⁹ EU Regulation on the Marketing and Use of Explosives Impact Assessment (2018) – The Poisons Act 1972 (Explosives Precursors) (Amendment) Regulations 2018: <https://www.legislation.gov.uk/uksi/2018/451/impacts>

²⁰ ONS Data for estimating the size and number of businesses that will be affected by measures - accounts for all economic actors (2022) - <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

²¹ EU Regulation on the Marketing and Use of Explosives Precursors Consultation Impact Assessment (2018) - <https://www.legislation.gov.uk/uksi/2018/451/impacts>

Table 6, Number of potential businesses assumed to be affected within the scope of the measures

Business Type	Micro businesses (1 – 9)			Small businesses (10 – 49)		
	Low	High	Best	Low	High	Best
Retailers	810	8,096	4,453	60	601	331
Wholesalers	98	984	541	23	226	124
Producers	61	607	334	22	219	120
Total	969	9,686	5,327	105	1,046	575

Business Type	Medium businesses (50 – 249)			Medium businesses (50+)		
	Low	High	Best	Low	High	Best
Retailers	6	62	34	7	74	40
Wholesalers	5	47	26	5	55	30
Producers	6	63	34	7	72	40
Total	17	171	94	20	200	110

Home Office estimates, 2022

95. This shows that the number of small, medium and micro-businesses comprises just under 99.7% of the total number of businesses affected by the measures. Micro businesses make up 88.6% of all businesses, with small businesses making up 9.6% and medium businesses (50 – 249 employees) making up 1.6%. Exempting these businesses would drastically reduce the ability of the policy to meet the policy objective of making it harder for terrorists and other illicit actors to purchase and use substances to cause harm. It has not been possible to estimate the benefits of these measures, and so it is not possible to quantify the exact reduction in benefits from exempting these businesses. Given the large proportion of SMMBs affected, it is likely that any benefits would be substantially reduced.
96. **Table 7 shows how turnover varies between business size. Although only 0.3% of businesses** potentially affected are large businesses, it is clear that these large businesses can account for a large proportion of turnover. In the absence of data on the volume of sales of specific chemicals by business size, the turnover by three-digit SIC code is used to provide a sense of scale of the market share by business size.²²²³ As three-digit SIC codes are used, the proportion of relative turnover includes business types which have been identified as being potentially affected by these measures, as well as other business types which have not. In the absence of more granular SIC data (e.g. four-digit SIC code), this represents the best available data with which to gain a sense of scale of turnover proportions but it should be noted that this is not accurate for the specific business types identified as being potentially affected by these measures.
97. Table 7 indicates that large businesses are likely to comprise a large proportion of turnover of the businesses potentially affected by these measures. For retail trade, except of motor vehicles and motorcycles (broader than the businesses potentially affected by these measures), businesses with more than 250 employees make up 0.2% of businesses and 70.3% of turnover. Large businesses with over 500 employees make up 0.1% of businesses and 68.4% of turnover. For wholesale trade, except of motor vehicles and motorcycles (broader than the businesses potentially affected by

²²Business Population Estimates (2022) - <https://www.gov.uk/government/collections/business-population-estimates>

²³ In the absence of data on the volumes of sales, data on turnover is used as a proxy. This is the best available data with which to gain a sense of scale as to the proportion of sales made by different size firms.

these measures), the proportion of revenue accounted for by large businesses is smaller but still significant. Businesses with more than 250 employees make up 0.4% of businesses and 36.6% of turnover and large businesses with over 500 employees make up 0.2% of businesses and 31.3% of turnover. The types of producers potentially affected by these measures is more varied but still make up a small proportion of businesses but a large proportion of total revenue.

98. These figures suggest that although exempting SMMBs may result in almost all businesses potentially affected by these measures being exempted (99.7%), in terms of turnover, a large proportion of sales would still be affected by the measures as larger business comprise a large proportion of total revenue (potentially around 70% for retailers, 33% for wholesalers and 60% for producers as a rough sense of scale). However, if SMMBs were to be exempt, then terrorists would choose to seek out these exempt businesses and purchase precursor materials. The regulation must be applied to all businesses without any loopholes to ensure the policy objective of making it harder for terrorists and other illicit actors to purchase and use substances to cause harm will be met. If an exemption were to be applied, a large part of the intended benefits and ability to achieve the policy objectives would be lost.

Table 7, Number of businesses and turnover by business size and SIC code

Business Type		Large businesses (250+)		Large businesses (500+)	
		Businesses	Turnover	Businesses	Turnover
SIC Code					
Retailers					
47	Retail trade, except of motor vehicles and motorcycles	0.2	70.3	0.1	68.4
475	Retail sale of other household equipment in specialised stores	0.3	62.3		
477	Retail sale of other goods in specialised stores	0.5	60.6		
479	Retail trade not in stores, stalls or markets	0.3	60.6		
Wholesalers					
46	Wholesale trade, except of motor vehicles and motorcycles	0.4	36.6	0.2	31.3
461	Wholesale on a fee or contract basis	0.2	*		
466	Wholesale of other machinery, equipment and supplies	0.8	33.8		
467	Other specialised wholesale	1.0	45.4		
Producers					
17	Manufacture of paper and paper products	1.6	64.1	0.6	49.3
20	Manufacture of chemicals and chemical products	1.3	59.5	0.5	43.0
23	Manufacture of other non-metallic mineral products	0.4	59.3	0.2	48.8
25	Manufacture of fabricated metal products, except machinery and equipment	0.3	27.8	0.1	19.9

Source: Business Population Estimates 2022

99. Table 8 shows the costs disaggregated between SMMBs different size businesses. The central estimate of the number of employees and total cost is used here. The awareness raising and training cost for the new supply chain notification measure (E.1) are costs per employee per

business and so the absolute cost to each business is the same per employee. For the training cost associated with the 24-hour reporting obligations (E.4) and training cost associated with the requirement for retailers and marketplaces to report SARs using a GOV.UK online portal (E.10), it is assumed that only one member of staff per business will need to be trained. As such, even though the absolute cost per employee is the same for all businesses, the relative costs are higher for smaller businesses than larger business as smaller businesses have fewer employees and lower overall costs.

Table 8, Total cost to (£m, present value) to small, medium and micro-businesses over 10 years

Business Type	Micro businesses (1-9)	Small businesses (10-49)	Medium businesses (50-249)	Large businesses (250+)	Medium businesses (50+)
Retailers	£0.34m	£0.07m	£0.03m	£0.02m	£0.05m
Wholesalers	£0.04m	£0.03m	£0.02m	£0.01m	£0.03m
Producers	£0.01m	£0.02m	£0.03m	£0.02m	£0.05m
Total	£0.39m	£0.11m	£0.07m	£0.06m	£0.13m

All costs are set-up costs in Year 1.

- 100. Table 8 shows how the costs to business vary between different size businesses. SMMBs account for 99.7% of the total number of businesses potentially affected by the measures and assumed to be within scope, and 61.6% of the total cost to businesses.²⁴ As such, SMMBs are not disproportionately burdened by the cost of these measures. This is because although the fixed costs (E.4 and E.10) have a relatively higher burden on smaller businesses, these costs are small. Instead, the cost of awareness raising and training of the supply chain notification are costs per employee, and so the large businesses with more employees bear most of these costs.
- 101. Since an exemption would reduce the ability of the policy to achieve the objective of making it harder for terrorists and other illicit actors to purchase and use substances to cause harm and there are no disproportionate cost burdens on SMMBs, neither an exemption or mitigation is required.

F. Proportionality

- 102. The data available has given a foundation on which to estimate some costs but these estimates carry a considerable degree of uncertainty. These are presented to illustrate where costs / benefits may fall and to give a sense of scale of these impacts. No other data was identified through the consultation. The estimates here are the best available currently. A proportionate amount of time and effort has gone into assessing the economic impacts of the policy proposals.

G. Risks

- 103. The proposed measures do not appear to pose any unmanageable or intolerable risks. The following analytical and economic risks have been identified:
 - The regulation relies on businesses being responsible and reporting suspicious transactions or significant losses. There is a risk that businesses will not take this up. There is also a risk that businesses will be fearful of reporting a suspicious transaction to the anti-terrorism hotline due to doubt about the credibility of their suspicion. The economic impact of this is that there is a continued threat of the precursors being easily obtained by terrorists and therefore the threat of death and damage to the public still being present despite the policy. To mitigate this,

²⁴ Using the definition of medium businesses as 50-249 employees due to a lack of available evidence on the number of businesses with 50-499 employees.

ongoing awareness raising activities will be conducted and disseminated by various means. This should also refresh the aims of the regulation in retailers' minds. Mystery shopping will be conducted on a random basis with aggregated results and best practices fed back to trade associations to serve as an incentive to make sure members of staff are aware of the requirements. The hotline is referred to in advice products as the national contact point in order to remove any barriers relating to calling an anti-terrorism number.

- There is a risk that alternative explosive precursors that are easier to acquire could be used instead and go undetected. The economic risk here is similar to that stated above; if terrorists resort to less explosive chemicals, less effective devices may be constructed but damage / threat to life and property will still be present. This will be mitigated by a continuous review of the chemicals with changing restrictions to them. These risks will be mitigated by raising awareness through the free of charge provision of guidance documents, a short video on suspicious behaviours and e-learning.
- There is a major analytical risk that the number of businesses affected may have been underestimated. It has not been possible to estimate the number of transporters which will need to offer a one-off familiarisation training session. This could potentially be a large number and so this could be a large underestimate. Additionally, the number of producers, retailers and wholesalers that will be affected is estimated based on the number falling under select SIC codes. As these substances can be used in a wide variety of products, there is the potential for more businesses than estimated to be affected. As such, the estimated costs to business could be a significant underestimate.
- There is an analytical risk that the impact to business is higher than the current cost estimates due to the limited evidence base. This is mitigated at present by providing wide ranges to give a sense of scale but these ranges are largely assumption-based. In particular, assumptions as to the number of new licence holders are not based on extensive evidence. The low estimate is based on the number of necessary new licences identified through the consultation, but there is a risk that in practice, a much higher number of new licences will be needed.
- There is an analytical risk that where costs have been identified as negligible, this is not representative of all economic actors that will be affected by the measures. The evidence for these costs being negligible comes from the 2021 consultation which received over 120 responses from members of the public and industry. This includes responses from multiple large associations, including the British Retail Consortium who represent over 200 major retailers. Although the consultation has considered a broad range of actors who may be affected, there is a risk that not every potentially affected business has been considered and for some higher costs may be incurred, leading to a higher cost of the measures than estimated.
- There is a risk that the estimated costs may be an underestimate as it has not been possible to monetise all potential costs of these measures. The cost associated with test purchasing and enforcement costs for non-compliance has not been monetised due to a lack of available evidence. As such, the realised costs may be higher than those estimated.
- There is an analytical risk that it is not possible to accurately assess the net present social value of the measures as there is insufficient evidence to monetise the benefits. Consequently, it is not possible to compare the costs and benefits of the measures.

H. Direct costs and benefits to business calculations

104. See Table 6 above for a summary of estimated monetised costs and benefits to businesses, the BNPV and net costs to business per year. The total direct cost to business is **£0.1 million (PV)** over 10 years and the **BNPV** is given as **£0.6 million (PV)** over 10 years. The net direct cost to business per year, as given by the EANDCB is estimated to be **£0.1 million** (2023 prices).¹³

I. Wider impacts

105. Some of the costs may fall unevenly on different groups in society. Home and business users of the chemicals may be affected by the cost of false positive reporting. That is the cost of being regarded with suspicion when the individual's intentions are entirely legitimate, but this will be raised as a vital point as part of awareness and training provided to ensure businesses act lawfully and equally. This cost may fall more heavily on some groups in society if businesses attempt to profile customers according to prejudices or misconceptions about religion, ethnicity, age or race / nationality or other demographic characteristics.
106. The cost of being perceived with suspicion and distrust is difficult to quantify but it is likely to cause distress, anxiety and feelings of isolation and injustice in the victims. Awareness raising products delivered alongside this legislation ensure that businesses are able to spot suspicious behaviours because of unorthodox behaviour or requests of individuals or groups, rather than using demographic prejudices. However, even with such an education programme in place there may still be some costs felt by customers in minority ethnic or faith groups. The Home Office does not tolerate profiling by any method.
107. It is not expected that there will be any wider environmental impacts as a result of this policy. There is little to indicate that the increase in reporting of SARs or change in substances (with greater restrictions) would lead to any environmental impacts at all.
108. Likewise, the increase in need for SARs and change in substances should not have any significant impacts on the competitiveness of the market. Any changes will affect all businesses / licence holders equally.

J. Trade Impact

109. There might be a small negative effect on trade from the tighter controls put on which substances require a licence and over which concentration limits they are required. This is because there are some current EU licence holders who purchase from the UK and may choose to use other EU suppliers as a result of the tighter restrictions put on supply.
110. As the number of EU licence holders who purchase from UK suppliers is small, and with the existing possibility of EU customers moving to EU-based suppliers, the total effect on trade is expected to be negligible.

K. Monitoring and evaluation plan

111. The Home Office will commit to developing a monitoring plan to assess the effectiveness of the policy and collect the appropriate data and evidence in order to do so. The monitoring and evaluation plan will be in line with Magenta Book and Green Book guidance.
112. The legislation will be reviewed every 5 years, starting in 2028. The Home Office has committed to publishing a report containing the findings of the review before 1st October 2028 initially, then every 5 years after that point.
113. It is difficult to measure the effectiveness of the measures as it is difficult to measure whether terrorist attacks using explosives have been prevented and also difficult to ascribe any changes to these measures specifically (as opposed to the work of the wider CT system). To attempt to measure the effectiveness of the measure as much as possible, evidence will be gathered on

whether suspicious activity reporting has increased. The effectiveness of the new measures would also be monitored in part by a change in volume of suspicious activity reports received through the online platform and the hotline. The baseline has been measured for suspicious transaction calls to the anti-terrorist hotline and will monitor any increase in total calls against those that lead to further action.

114. The monitoring and evaluation plan will instead focus on the proportionality of the legislation on affected users. This will include consideration as to what the realised costs to businesses were by measuring the duration of training and how many employees were required to complete this training and familiarisation. These will be compared to those estimated in this IA.
115. Additionally, the proportionality of the substances contained under the reportable and regulated lists will be assessed. It will be determined whether substances should be added/removed based on the number of licence applications received and the scientific evidence. This will involve consideration as to whether legislation remains the best way to deliver the desired outcomes or if less or more stringent measures are proportionate.

L. Annexes

Annex A

Introduction

1. **A public consultation on potential amendments to the Poisons Act 1972 ran for twelve weeks between 16th December 2021 – 10th March 2022.** Responses were submitted through an online survey on gov.uk, by email and by post.
2. In total 128 responses were collected in the consultation. 118 were collected through the online survey, with 110 coming from members of the public, professional users or associations, and Explosive precursors and poisons (EPP) licence holders. Three responses were provided by suppliers and 5 were left completely blank. Nine responses were received via email. Five of these came from associations representing business and chemical retailers and manufacturers (including from the British Retail Consortium who represent over 200 major retailers). Three email responses came from members of the public. One further response was received through the “Pupils 2 Parliament” project – a project allowing school pupils to feed in views to parliamentary, national government and national body inquiries and public consultations.
3. Throughout the consultation period the Home Office conducted extensive engagement with key stakeholders. Workshops were held with business associations, chemical industry associations, hobbyist associations and members of the British Retail Consortium. These workshops allowed these key members to provide their input on the proposed measures which were then transcribed to form part of the evidence towards the consultation. Briefings were also held with both Scottish and Welsh governments as the proposed amendments will be implemented in these administrations. A workshop was also held with Northern Ireland government but nothing in these amendments will impact this administration as they control their own EPP regulations.
4. The below sections provide a brief summary of each proposed amendment and the responses we received. It also provides an account of the Home Office’s next steps in regard to each amendment and how mitigations will be implemented to alleviate concerns.

Supply Chain Notification

5. This proposed amendment would require economic actors (Producers, wholesalers, distributors, and retailers) supplying a regulated or reportable substance to another economic operator to inform them of the restrictions and reporting obligations associated with the substance under the Poisons Act 1972.
6. Of the 2 responses in the online survey to the question ‘Do you think we should specify within the Poisons Act 1972 how information about products should be shared along the supply chain?’, 50% said ‘yes’ and 50% said ‘don’t know’. In the workshops, stakeholders did not raise any concerns or objections to this measure but did note the need to understand what precursors are in products to allow for effective notification. One retail association did also request the sharing of best practice on how information should be shared along the supply chain.
7. The Home Office will prepare and produce guidance for businesses on how this measure will work in practice, including how we expect businesses to pass on the information down the supply chain. This will mitigate the concerns around how businesses will implement this measure and the impact that this proposal will have on businesses.

Verification of Professional User status

8. Under this measure, economic actors supplying regulated substances to professional users and other economic actors would be required to request proof of professional user status, and also to ensure that the intended use of a substance is consistent with the business or profession.
9. Consultation responses emphasised that while not against this measure, businesses were keen to understand the practicalities of how this measure would be implemented. One hundred percent of retailers who responded to this measure in the online survey (2 of 2) said they didn't know how easy it would be to verify customer details. One respondent stated this measure would be expensive but did not provide any further details.
10. Three differing responses were received on the frequency of verification. One respondent felt it would be necessary for every transaction; one felt it would only be necessary to verify professional user status once; and one industry group raised concerns around creating unnecessary administration between retailers and users who have a longstanding relationship if it was necessary to verify status with every transaction.
11. Some questions were raised in the workshop about the ways in which a business or professional user would be able to demonstrate professional status. Respondents also raised questions in the workshop about situations where electronic order fulfilment technology is used and the human interaction between industry and users is absent.
12. The Home Office will prepare and produce detailed guidance for businesses on how this measure should be implemented in practice. This guidance will include definitions on frequency of verification, ways in which legitimacy can be demonstrated and the impacts on electronic fulfilment orders. This will mitigate all specific questions raised during the consultation as mentioned above.

Online Marketplace Obligations

13. Online marketplaces shall have in place appropriate, proportionate procedures to comply with measures in the Poisons Act 1972, including the requirement to report suspicious transactions, adapted to their specific environment.
14. Responses to this measure were generally positive. One respondent specifically supported the measure stating online marketplaces should be subject to the same obligations as other economic actors. One respondent also supported the measure, stating they already have policies in place in line with this proposal. However, generally respondents did report the need to draw a distinction between online marketplaces and online retailers.
15. The Home Office will produce specific guidance that shows a clear distinction between online retailers and online marketplaces. This will ensure clarity is provided on who this proposal would impact and how.

24-hour Reporting

16. Economic actors should already report suspicious transactions regarding all circumstances and have in place appropriate, proportionate procedures to detect suspicious transactions. This should be done within 24 hours of the transaction being considered suspicious.
17. Three responses were collected in the online survey on this measure. All three responses stated they "didn't know" how easy it would be to report suspicious activity within 24 hours. Of these, one stated it would be expensive and one stated it would be cheap to implement. Other responses included an industry group calling for good communication of this measure to all actors, users and members of the public. One business association raised a concern around operational issues, commenting that more than one colleague would be involved in the process if customer data is

required. Another response noted potential issues around timescales if a suspicious transaction was made on a Friday, commenting the potential requirement for weekend working.

18. The Home Office received input from law enforcement partners which reinforces the importance of receiving SARs data swiftly, highlighting the benefits brought from this measure. To mitigate concerns, the measure is explicit that 24 hours starts from the time the suspicion is detected, not from when the transaction occurred. This also reassures the concerns from the responses relating to potential weekend working as businesses would be able to change the day on which data is considered.

Reporting Suspicious Activity via Gov.uk

19. This measure would aim to strengthen the Suspicious Activity Reporting (SAR) regime by introducing a requirement to report suspicious activity reports via gov.uk (or via a phone number where this is not possible).
20. Three responses were collected in the online survey on this measure. Of the three who responded to the question 'will it be possible for you to submit suspicious transactions through a gov.uk portal', one responded 'yes', and two responded 'don't know'. Two responses suggested it would be easy to report online with two responses stating they didn't know how easy or difficult it would be. One response stated it would be cheap to report online and one stated it would be expensive but did not provide any further details.
21. There were no concerns raised in workshops – one industry group voiced explicit support for the measure, however, noted the need for clear guidance to communicate the change.
22. The Home Office will prepare and produce specific guidance on the changes this measure will make and provide support on its use. This will mitigate the responses that demonstrated they were unsure how easy this would be to implement.

Provision of identifiable information when making a suspicious activity report (SAR)

23. This measure would create a requirement for retailers to provide currently held, relevant identifiable information (for example, name, email address, home address) involved in a suspicious transaction when making the suspicious activity report.
24. Three responses were collected in the online survey on this measure. One respondent felt it would be easy to provide this information, while two did not know. One response stated it would be cheap to implement this measure, and one response suggested it would be expensive.
25. In total, two responses were collected on what information could be provided. Both stated information held on customers' names and email address could be provided, but only one held information on home addresses.
26. No concerns were raised in workshops on this measure. One retailer explicitly supported the measure as it would allow for easier suspicious activity reporting.
27. The Home Office will provide guidance to businesses to explain what information would be sought. This will mitigate the responses that showed they were unsure how easy it would be to introduce.

Upper Concentration Limits

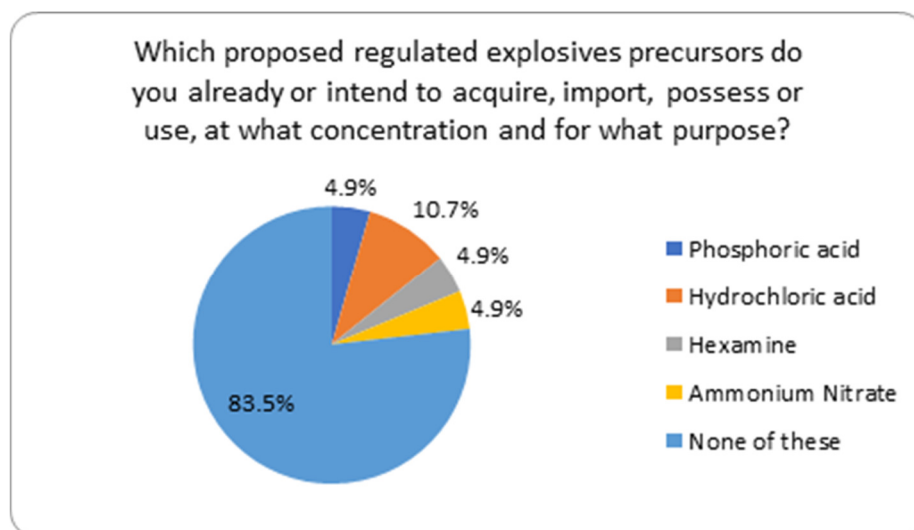
28. This proposal is to introduce upper concentration levels for regulated explosives precursors.

29. This measure received the most responses during the consultation. 109 online survey responses were received from members of the public, professional users and associations who use or intend to use regulated explosives precursors. Representatives from a number of hobbyist associations reported concerns with this proposal in workshops, and largely felt that this proposal would penalise legitimate users while not impacting those who seek to access substances for illicit use. EPP licence holders felt that the proposed upper concentration limits would prevent individuals from being able to carry out legitimate hobbies in compliance with the law, as the levels set (particularly for the chlorates and perchlorates) would entirely prevent the use of these substances for pyrotechnics. The responses received from licence holders clearly demonstrated this measure would be disproportionate to the risk it aims to mitigate.
30. Following consideration of these responses, the Home Office has decided not to proceed with legislating on this proposal. Instead, the Home Office will consider other ways to achieve the aims of this proposal in a more proportionate way, for example, by reconsidering internal policies surrounding EPP licensing to reduce risk while not overburdening those who are complying with the law.

Changes to reportable and regulated explosives precursors (Table A.1)

31. This measure proposes adding new substances to the reportable and regulated lists of explosives precursors under the Poisons Act.
32. Of 108 responses, 18.5% indicated that they currently acquire, import, possess or use any of the proposed regulated precursors as shown above. 79.6% said they did not, and 1.9% didn't know. This shows the majority of these respondents would not be impacted by this measure.
33. The below graph shows the percentage split of which proposed regulated explosives precursors respondents already or intend to acquire, import, possess, or use (108 responses).

Figure 1



34. For those who will be impacted by this measure, the Home Office already have mitigations in place. They will be able to apply for a Home Office issued EPP Licence for legitimate uses of the substance(s) they intent to hold. This would ensure they are still in compliance with the law. The Home Office will provide information to members of the public on the changes the measure will make and how they can apply for an EPP licence. Businesses and professional users will still be able to purchase and use the substances for legitimate purposes without needing a licence.

Changes to reportable and regulated poisons (Table A.2)

35. This measure proposes adding new substances to the lists of regulated and reportable poisons under the Poisons Act.
36. Of 109 responses, 10.1% (11 people) said they currently acquire, import, possess or use any of the proposed regulated poisons outlined in the consultation, 81.7% (89 people) said they did not, and 8.3% (9 people) said that they didn't know. Of those, three individuals said they currently use sodium sulfide, two use calcium sulfide, one used magnesium sulfide, and two used arsenic and mercury compounds. 97 respondents said they did not use any of the proposed regulated substances. Zero responses were received on the gov.uk survey indicating the use of aluminium sulfide, zinc phosphide, calcium phosphide, and 2,4 Dinitrophenol (DNP). There were also no responses received via the gov.uk survey, or to the consultation as a whole, from retailers who indicated they sold products containing the proposed regulated poisons.
37. For poisons that will become regulated, members of the public will still be able to purchase and use these for legitimate purposes with the use of a valid Home Office EPP licence. Professional users and businesses will still be able to purchase and use these poisons for legitimate purchases.
38. The above sections provide a brief summary of each amendment and the responses provided in the consultation. Although for some amendments the number of responses may appear limited, the Home Office conducted extensive engagement with associations, businesses and other key stakeholders that provided evidence for the consultation but were not necessarily captured in data form. The Home Office is satisfied the above responses and conclusions, along with the key engagement sessions demonstrates a fully complete consultation.

The following substances are under potential new listing or changing concentration limits as part of Measure 5.

Table A.1, Explosives precursors with proposed listing, 2022.

Material	Concentration	Current Listing under PA 1972	Proposed Listing	Main Uses
Hexamine		Reportable	Regulated	Chemical Prep.
Hydrochloric acid	10 % w/w	Reportable Poison	Regulated Precursor	Swimming Pools Steel Pickling
Phosphoric acid	30% w/w	Reportable Poison	Regulated Precursor	Teeth Whitener
Ammonium Nitrate	16% N	Reportable precursor	Regulated precursor	Fertiliser

Source: Home Office 2022

Table A.2, Poisons with proposed listing and concentrations, 2022.

Material	Concentration	Current Listing under PA 1972	Proposed Listing	Main Uses
2,4 – Dinitrophenol	N/A	N/A	Regulated	
Metal sulphides	N/A	N/A	Reportable	
Aluminium sulphide, Sodium sulphide, CaS, MgS	N/A	N/A	Regulated	Chemical Prep. Pulp and Paper Luminous Paint/Lighting
Metal Phosphides		N/A	Reportable	

Zinc and calcium phosphide	N/A	Reportable	Regulated	Pesticide Fireworks
Arsenic compounds	N/A	Reportable	Regulated	Pesticide Wood Preservation
Mercury compounds	N/A	Reportable	Regulated	
Sodium hypochlorite solutions	6% available Cl	N/A	Reportable above concentration	Disinfectant

Source: Home Office 2022

Annex B

The following table highlights the number of retail, wholesale and producer businesses affected by the measures, split into Standard Industrial Classification (SIC) Codes from the previous 2018 consultation IA (Table B.1) and the updated set for this IA (Table B.2).¹⁷ These data come from the ONS.¹⁸

Table B.1, Number of retail, wholesale and producer businesses affected in 2018 IA, 2018.

SIC Code	Retail, SIC Code Description	Low	High
4752	Retail sale of hardware; paints and glass in specialised stores	88	884
4776	Retail sale of flowers; plants; seeds; fertilisers; pet animals and pet food in specialised stores	81	815
4778	Other retail sale of new goods in specialised stores	250	2,504
4791	Retail sale via mail order houses or via Internet	257	2,572
Total		677	6,774

SIC Code	Wholesale, SIC Code Description	Low	High
4612	Agents involved in the sale of fuels; ores; metals and industrial chemicals	12	125
4661	Wholesale of agricultural machinery; equipment and supplies	20	198
4672	Wholesale of metals and metal ores	20	197
4675	Wholesale of chemical products	18	184
Total		70	703

SIC Code	Producers, SIC Code Description	Low	High
2442	Aluminium Production	56	84
Total		56	84

Table B.2, Number of retail, wholesale and producer businesses affected in current IA, 2021.

SIC Code	Retail, SIC Code Description	Low	Central	High
4752	Retail sale of hardware; paints and glass in specialised stores	93	513	933
4759	Retail sale of furniture; lighting equipment and other household articles in specialised stores	135	743	1,351
4776	Retail sale of flowers; plants; seeds; fertilisers; pet animals and pet food in specialised stores	82	450	819
4778	Other retail sale of new goods in specialised stores	236	1,299	2,363
4791	Retail sale via mail order houses or via Internet	428	2352	4277
Total		974	5,358	9,742

SIC Code	Wholesale, SIC Code Description	Low	Central	High
4612	Agents involved in the sale of fuels; ores; metals and industrial chemicals	12	67	122
4615	Agents involved in the sale of furniture; household goods; hardware and ironmongery	12	66	121
4661	Wholesale of agricultural machinery; equipment and supplies	20	112	204
4672	Wholesale of metals and metal ores	19	104	189
4673	Wholesale of wood; construction materials and sanitary equipment	110	603	1,096
4675	Wholesale of chemical products	19	103	187
Total		192	1,055	1,918

SIC Code	Producer, SIC Code Description	Low	Central	High
1511	Tanning and dressing of leather; dressing and dyeing of fur	0	2	4
1711	Manufacture of pulp	0	0	0
1712	Manufacture of paper and paperboard	3	14	26
1729	Manufacture of other articles of paper and paperboard	4	24	43
2012	Manufacture of dyes and pigments	1	5	9
2020	Manufacture of pesticides and other agrochemical products	1	5	9
2030	Manufacture of paints; varnishes and similar coatings; printing ink and mastics	5	26	48
2059	Manufacture of other chemical products N.E.C.	5	29	52
2352	Manufacture of lime and plaster	0	1	2
2452	Casting of steel	1	5	9
2511	Manufacture of metal structures and parts of structures	34	187	340
2550	Forging; pressing; stamping and roll-forming of metal; powder metallurgy	6	31	56
2561	Treatment and coating of metals	15	80	145
3250	Manufacture of medical and dental instruments and supplies	22	121	221
Total		96	528	961

Impact Assessment Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>Statutory Equalities Duties</p> <ol style="list-style-type: none"> 1. A full Equality Impact Assessment (EIA) has been completed for these amendments. While the majority of the measures apply to businesses rather than individual members of the public, the proposal to add new substances to the lists of reportable and regulated precursors and poisons will impact members of the general public. 2. The Home Office does not collect data on, and therefore is not able to assess, the proportion of those working in businesses who will be impacted by these amendments who will have protected characteristics. These groups include: business and professional users and associations; retailers and manufacturers who sell reportable and regulated substances; those who do not currently have EPP licences but use some of the chemicals we are proposing to regulate; and individuals who seek to sell reportable substances on online marketplaces. People in the groups above will have protected characteristics, but we are not able to estimate the proportion of individuals in these groups who have any particular protected characteristic or characteristics. 3. However, the proposal to regulate new precursors and poisons will impact members of the general public. To underpin the EIA, the Home Office has used data provided by Explosives Precursors and Poisons licence holders when they apply for a licence to form a proxy dataset. It is likely that some current EPP licence holders will be impacted by the proposal to regulate new substances and will need to amend their licences to cover the new substances, some of which are used for similar purposes as chemicals which are currently regulated. Similarly, the newly regulated chemicals are likely to be used for similar legitimate purposes as chemicals which are already regulated, meaning that the demographics of current and future licence holders are likely to be comparable. For these reasons, the EIA has considered the potential impact of the new regulations by using the age and sex data provided by current EPP licence holders, taken from the 136 licences live, correct as of 24th February 2022. 4. The EIA found that there is no evidence to suggest that these amendments will result in direct discrimination on any protected group. The proposal to regulate new explosives precursors and poisons may result in some indirect discrimination on the protected characteristics of age and sex, with the majority of current licence holders being above the age of 45 (77.94%) and male (86.76%). The EPP licence holder dataset is only a small subset of those who may be affected by the proposed amendments and can only really be used as a proxy to measure impact on those who will be impacted by the proposal to regulate new explosives precursors and poisons (which will include some, but will not be limited to, current licence holders). The majority 	<p>Yes</p>

<p>of amendments will impact businesses rather than individuals.</p> <p>5. Nevertheless, any indirect discrimination based on sex or age is considered to be justified due to the necessity of these regulations to safeguard national security and prevent terrorist and other illicit use of precursors and poisons. We will continue to assess whether there does appear to be any indirect discrimination based on age, sex, and all other protected characteristics as the amendments are implemented and will revisit the EIA if evidence comes to light to suggest there may be such an impact and to consider whether mitigations are appropriate.</p> <p>6. With regards to limbs 2 and 3 of the PSED, as the majority of the proposed amendments apply to businesses, assessments of limbs 2 and 3 can only really be made against the proposal to make changes to the lists of reportable and regulated substances under the Poisons Act. We consider that this policy has a neutral impact on advancing equality of opportunity and fostering good relations between people who share a protected characteristic and persons who do not share it. This will remain under review while the amendments are implemented and if evidence arises which suggests that there is any opportunity to advance equality or foster good relations within communities who are involved in EPP licensing, we will consider whether any measures are appropriate.</p> <p>7. The EIA has been cleared by the SRO for this policy area.</p>	
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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.**

Economic Impact Tests

<p>Business Impact Target The Small Business, Enterprise, and Employment Act 2015 (s. 21-23) Creates a requirement to assess the economic impacts of qualifying regulatory provisions on the activities of business and civil society organisations. [Better Regulation Framework Manual] or [Check with the Home Office Better Regulation Unit]]</p> <p>The BIT Impact Assessment Calculator has been used to estimate the cost to business.</p>	<p>Yes</p>
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<p>Review clauses The Small Business, Enterprise, and Employment Act 2015 (s. 28) Creates a duty to include a review clause in secondary legislation containing regulations that impact business or civil society organisations. [Check with the Home Office Better Regulation Unit]</p>	
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<p>Small and Micro-business Assessment (SaMBA)</p> <p>Small and micro-businesses may be affected by the changes but most already have to comply with requirements of the Poisons Act 1972 because of their stocks of other scheduled substances. Full consideration has been given to this segment of the market, however, as a policy designed to protect the public from explosive attacks, it would not be effective if small and micro-businesses were exempt. Advice on how to comply with the Poisons Act 1972 is tailored to the type of business such that the impacts on smaller businesses are proportionate and the measures practical for them to implement. A SaMBA will be completed alongside this Impact Assessment.</p>	<p>Yes</p>
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Social Impact Tests

<p>Justice Impact Test</p> <p>The justice impact test is a mandatory specific impact test, as part of the impact assessment process that considers the impact of government policy and legislative proposals on the justice system. [Justice Impact Test Guidance]</p> <p>This will be completed.</p>	
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