Institute of Alcohol Studies – Spending Review submission 2025

The government should prioritise funding measures to address the growing harm caused by alcohol. Decades of evidence show that alcohol control policies are both cost-effective and highly effective. As detailed below, many of these measures could generate significant long-term revenue for the government, far outweighing the costs of inaction.

The problem

Alcohol consumption leads to significant health and social problems across the UK, from chronic health conditions such as liver and heart disease, avoidable hospital admissions, and accidents and injuries, to family breakdowns, alcohol-related violence and crime, and billions of pounds lost to the UK economy due to reduced productivity. Linked to over 200 health conditions and injuries, alcohol is one of the leading causes of death among working age people in the UK.[i]

Since the pandemic, alcohol-specific deaths have reached record highs, year-on-year. In 2022, over 10,000 people died from conditions solely caused by alcohol in the UK, a 33% rise from 2019.[ii] In England in 2023, 8,274 people died from alcohol-specific causes, a 42% increase since 2019.[iii] This is because people who were drinking at higher risk levels tended to drink more during the pandemic. And drinking patterns are still significantly above pre-pandemic levels, with over 10 million people drinking at increasing and higher risk levels.[iv]

The latest data from the NHS show that alcohol-related harm led to almost 1 million hospital admissions in 2019/20, from alcohol-related heart disease, mental and behavioural disorders, cancers, liver disease, diseases of the nervous system, and alcohol poisoning.[v] This accounts for almost 6% of all hospital admissions.

The economic cost of alcohol harm to society far exceeds how much the government makes in alcohol taxation. The latest estimate by IAS found that alcohol harm in England cost over £27.4 billion in 2021/22.[vi] The calculation – which used the same methodology as a 2003 Cabinet Office report[vii] – is likely a significant underestimate, due to no data being available for premature deaths from alcohol at the time of publication. Nonetheless, this figure – and the Cabinet Office's 2003 figure of £21 billion – far exceeds the £13 billion Treasury revenue from alcohol duties. The £27.4 billion cost of alcohol harm includes the following:

- *Cost to the NHS of £4.9 billion* – including: alcohol-related hospital admissions, outpatient visits, A&E visits, ambulance call-outs, dependency drugs cost, and specialist treatment.
- *Cost due to crime and disorder of £14.6 billion* – including: police response to alcohol-related crimes, costs to the criminal justice system, the cost of stolen or damaged property, and money spent on preventing alcohol-related crime.
- *Cost to the wider economy of £5.1 billion* – including: lost productivity due to being unable to work because of alcohol, being less productive at work, or absent from work due to alcohol.
- *Cost to social services of £2.9 billion* – including: alcohol treatment and support

services, and child social services.

Figures for Scotland, Wales, and Northern Ireland are more dated, with estimates ranging between £6.9 – £11.9 billion total.

Regarding lost productivity due to premature death, the latest evidence found that 18% of all working years lost in England in 2018 were due to deaths from alcohol, amounting to 180,000 working years lost.[viii] People aged 45 to 50 who died from alcohol contributed most to the working years lost. And the number of working years of life lost in the most deprived decile was three times higher in 2018 than in the least deprived decile. As deaths from alcohol shot up during the pandemic and are still at records highs, this economic impact will have been even higher over the past few years.

The Spending Review encourages consideration of the environmental impact of recommendations, a topic that is often neglected when discussing alcohol-related harm. As alcohol is a discretionary, non-essential product, the negative impact it has on sustainability is avoidable. The damage caused to the environment, sustainable development, and human rights across the lifecycle of alcoholic products is extensive. In a 2022 IAS report[ix], we highlighted that, globally:

- The production and consumption of alcohol adversely impacts 13 of the 17 Sustainable Development Goals (SDGs).
- Alcohol production uses up water for crop growth in areas where people do not have enough to drink.
- It displaces the growth of essential foods and displaces animal populations.
- Corporate social responsibility activity by alcohol giants allows them to align with sustainability movements, despite contributing to the harm these movements are against.
- Alcohol production and sale contributes to human rights abuses across the globe, particularly in the Global South.

These figures underscore the scale of the issue, emphasising the need for a coordinated, cross-departmental approach to addressing alcohol-related harm. Tackling this issue will yield benefits for multiple departments, including the DHSC, Home Office, Treasury, and DESNZ.

A crucial aspect of tackling alcohol-related harm is accepting that long-term policymaking is required. In recent years, short-termism has characterised policy decisions on alcohol, particularly regarding the setting of alcohol duty rates. In most years over the past decade, alcohol duty rates have been cut in real-terms, contributing to increased alcohol consumption and the rise in deaths in recent years. Estimates from the Sheffield Alcohol Policy Model lay bare the consequences of consecutive duty cuts. As a result of changes to alcohol duty policy between 2012-2019, increased alcohol consumption is estimated to have led to 2,223 additional alcohol-related deaths in England and Scotland between 2012 and 2019, 65,942 additional alcohol-related hospital admissions in England and Scotland over the same period, with £341 million in additional costs to the NHS.[x]

The solution

IAS supports the Alcohol Health Alliance in its call for the **development of a national alcohol strategy**. This would utilise the best available evidence to create a roadmap towards a reduction of alcohol harm in the UK.

For many years now, the World Health Organization and alcohol control advocates have highlighted the most cost-effective and effective policies that would reduce alcohol harm.[xi] Although some of these will cost the government money up front, all of these policies will ultimately save the government money by reducing the cost of negative externalities associated with alcohol, as previously discussed.

Therefore, our recommendations are the following:

1. **Reduce the affordability of alcohol by increasing alcohol duty rates in the off-trade and introducing Minimum Unit Pricing in England.**

Since 1987, alcohol has become 81% more affordable in the UK.[xii] The only time when alcohol was not getting more affordable since 2000 was during the so-called 'alcohol duty escalator' when New Labour increased duty rates by 2% above RPI inflation each year. Figures below from Lord Darzi's Independent Investigation show that this was also the only time that the death rate from alcohol was falling.[xiii]

Figure III.1.3A: Age-standardised alcohol-specific mortality rate per 100,000 in the United Kingdom, 2001 to 2022

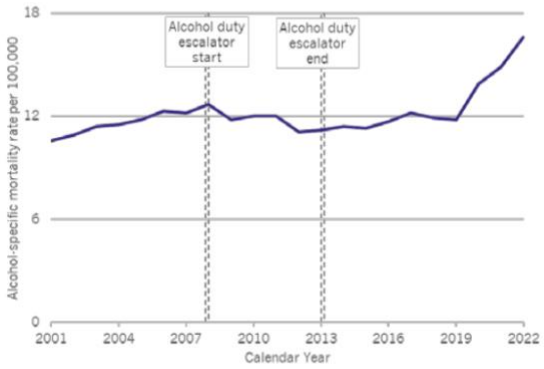
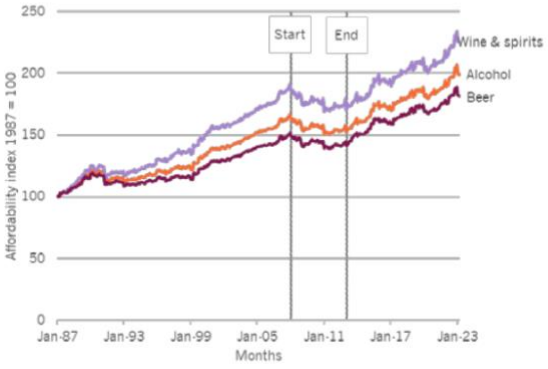


Figure III.1.3B: Alcohol affordability in the United Kingdom, January 1987 to March 2023



It is widely agreed that the cost of negative externalities should be covered by taxation. The Social Market Foundation argues that duty should not be seen as a "cash cow", but that: "At the very least, alcohol duty should cover the health, crime and welfare costs to government and wider society."[xiv] This position is supported by the International Monetary Fund[xv] and the Institute for Fiscal Studies (IFS)[xvi]. In fact, in a 2017 working paper, the IFS published optimal off-trade alcohol duty rates to cover the cost of harm (for cider £25.40, spirits £42.60, beer £28.30, and wine £30.40 per litre of ethanol). Adjusting by CPI inflation, these rates today would be: cider £33, spirits £55, beer £36, and wine £39 per litre of ethanol. These rates vary across product type because of the different associated harms of different products. Using these inflation-adjusted rates, current off-trade duty rates would increase by the following:

- Beer duty: 71% increase
- Cider duty: 240% increase
- Spirits duty: 74% increase
- Wine duty: 37% increase

As the SMF has called for, the cost of alcohol harm should be calculated by the government – or an independent body commissioned by the government – and duty rates should cover these costs. Every 5 or 10 years the cost of harm should then be recalculated, and duty rates adjusted accordingly. This would help incentivise alcohol producers to reduce the cost of harm from their products, in order to be taxed less. In the intervening years, duty rates should be kept in line with inflation or earnings, so that rates do not fall in real-terms.

This would also protect government revenue, which has been eroded by real terms cuts since 2013. The Treasury recently estimated that cuts have cost the government £15 billion over the past 11 years.[xvii] However, this figure does not include the Office for Budget Responsibilities forecast costs in future years. In IAS's latest Budget Analysis, we estimated that by 2030, cuts to alcohol duty rates will have cost over £28.3 billion.[xviii]

IAS also recommends specifically targeting off-trade alcohol duty rates while protecting Draught Duty Relief, to close the widening gap in the affordability between off- and on-trade alcohol, which is contributing to a rise in chronic diseases and associated costs. As we called for in our Autumn Budget submission in 2024, there are potential health and economic benefits of shifting consumption from home to the on-trade. Heavy drinkers are more likely to consume cheaper off-trade alcohol, and such drinking is linked to many chronic diseases, from liver disease to heart disease and cancer. As with other countries, the UK saw a big rise in home drinking during the pandemic, helping to explain the 33% increase in alcohol-specific deaths. Home drinking has not reverted to pre-pandemic levels. There are also social and community benefits associated with on-trade establishments. This may particularly be the case among older people, with one study recognising that drinking in the on-trade "could help sustain social and leisure activity, which may otherwise diminish through retirement and other transitions relating to the ageing process".[xix] Finally, on-trade establishments require far more employment than the off-trade, so moving from home drinking back to pub drinking could support the wider economy by increasing the number of jobs in the UK economy.

Introducing Minimum Unit Pricing (MUP) in England would also be a highly cost-effective way of reducing alcohol consumption and harm, while saving money by reducing pressure on the NHS. A 2023 study by the Sheffield Addictions Research Group estimated that a 65p MUP in Scotland would save the NHS over £15 million over the next five years, rising to £42.8m over the full 20 year period studied.[xx] Implemented alongside a public health levy that recovers excess profits from alcohol producers and retailers, this measure in England would provide the government with additional revenue to invest in alcohol treatment services and/or contribute to the Public Health Grant.

MUP in Scotland has successfully reduced alcohol-related deaths and hospital admissions since its introduction in 2018. The main findings by Public Health Scotland are that MUP reduced deaths from conditions solely caused by alcohol consumption by an estimated

13.4%, equivalent to 156 fewer deaths per year, and reduced hospital admissions by an estimated 4.1%, equivalent to 411 fewer hospital admissions per year.[xxi,xxii,xxiii] Reductions were greatest for men and those living in the most deprived areas, helping to address alcohol-related health inequalities.

Cross-departmental collaboration is crucial for introducing MUP, as although it is a Home Office policy, the greatest impact will be on DHSC due to the health improvements of the policy, as well as the Treasury, due to the improvements in productivity that these health improvements will bring.

2. **Increasing funding for alcohol treatment services, following recommendations of the Medical Council on Alcohol (MCA).**

There have been significant and costly cuts to treatment services for people with an alcohol use disorder (AUD) in recent years. Between 2013/14 and 2020/21, there was a 16% reduction in the number of people in treatment for AUD, despite the number of people in need of care remaining stable.[xxiv] There has been a modest rise in recent years, but it has not reached 2013/14 levels. And only 15-18% of people who are dependent on alcohol are currently accessing community alcohol services.[xxv] The MCA says this is "shockingly low compared to other illnesses – for instance 70% of those living with diabetes access health services".[xxvi] Budget cuts have been identified as the main reason for the drop in treatment numbers[xxvii] and this has led to an increase in unscheduled admissions to acute hospitals[xxviii,xxix]. Not only is this more expensive and increases the burden on the hospital, but acute hospitals are often not able to provide appropriate care. As the MCA states, cuts to addiction services reflect a "false economy, as every 5% reduction in yearly spending on alcohol treatment is associated with an extra 60 alcohol-related hospitalisations per 100,000 people in the population".

Treatment services are both effective and they save money. The latest data suggests that 59% of people complete the programme successfully and are discharged with 'treatment completed'.[xxx] And the government has stated itself that: "Alcohol treatment reflects a return on investment of £3 for every £1 invested, which increases to £26 over 10 years."[xxxi]

Assertive outreach programmes have also been shown to be particularly effective and provide a good return on investment. As the MCA states:

"In 2015/16, just 9% of people with alcohol dependence accounted for 59% of all alcohol-related hospital admissions.[xxxii] These 54,000 patients in England accounted for over 365,000 hospital admissions, costing the NHS an estimated £858 million. Targeting these high-need individuals through assertive outreach is cost-effective and can deliver significant improvements to their health and overall quality of life. A randomized controlled trial of an alcohol assertive outreach team showed the number of abstinent days for patients rise from 14% to 68%, and inpatient bed days reduced from 26.8 to 1.2.[xxxiii] Expanding assertive outreach across England to care for over 50,000 high-need, high-cost patients was estimated to cost around £161 million but could produce savings of around £575 million, translating to a return of £3.42 for every £1 invested in assertive outreach services."[xxxiv]

The MCA makes a number of clear recommendations in its recent report regarding what the government should do to improve alcohol treatment services. IAS supports all of the MCA's recommendations, including enhanced funding and support for alcohol care teams, improved access to community-based alcohol services, and greater integration of care pathways.

Funding for alcohol treatment services is provided by the Public Health Grant, which has seen a 28% real-terms per person cut in value over the past decade. This helps explain why the number of people in treatment fell during this period. As the Association of Directors of Public Health explained in its Spending Review Submission, to restore the grant to its 2015/16 value, additional funding of £1.4bn is needed.[xxxv] Not only this, but the allocation of funding needs to be finalised in good time to allow local authorities the time to plan and commission treatment services, as the Public Accounts Committee called for in 2023.[xxxvi]

3. **Reduce the availability of alcohol, introduce comprehensive restrictions on alcohol marketing, and enhance measures to reduce drink driving.**

The World Health Organization also recommends reducing the availability and marketing of alcohol to reduce alcohol harm, as well as enforcing drink driving measures. Again, as these measures would reduce the cost of alcohol harm, they would provide longer-term cost savings for government.

The last estimate found that drink driving cost the UK £800 million in 2014. Since then, deaths from drink driving have increased, with 2022 seeing the highest number of deaths since 2009.[xxxvii] The UK (apart from Scotland) is now *the only* country in Europe to have a drink driving limit of 80 milligrams of alcohol per 100 millilitres of blood.[xxxviii] All other countries have a limit of either 50 or 20 milligrams. IAS supports the recommendations of the Parliamentary Advisory Council for Transport Safety in 2021, including lowering the limit, increasing penalties for those who combine alcohol and other drugs, and mandatory breath testing powers for the police and increased enforcement levels.[xxxix]

Lower alcohol consumption would be good for the economy

One of the arguments that is presented to prevent the introduction of the aforementioned policies is that alcohol production and consumption brings money into the UK economy. Ignoring the moral dimension of assessing whether that is a fair trade-off against over 25,000 people dying from alcohol every year, it is important to consider the economic impact of a fall in alcohol production and consumption. As IAS explained in a 2017 study, there is little reason to believe lower alcohol consumption would have a negative effect on the economy – indeed, it may boost national income.[xl] Lower alcohol consumption may not have any economic impact, if people maintain their spending on alcohol by buying more expensive drinks. Yet even if spending on alcohol declines, spending on other goods is likely to rise to compensate and so boost other industries – the net effect of this shift from the alcohol industry and gain to other sectors is ambiguous. In the 'long run' (when productive capacity is the main constraint on the economy) lower alcohol consumption is likely to have a positive effect by boosting productivity and labour supply, by reducing absenteeism, presenteeism, unemployment, and premature mortality. In the 'short run' (when a shortage of demand is the main constraint on the economy), the effect is more uncertain and

depends on what products are substituted for alcohol. Without a detailed and rigorous modelling exercise, this is impossible to discern with any confidence, though:

- modelling in the US suggests lower alcohol spending can raise employment.
- the Office for National Statistics' economic multiplier estimates suggest a 10% decrease in alcohol spending could increase or decrease national income by at most £1 billion.

The Office for Budget Responsibility's analysis suggests that the long run effects are more relevant to the UK economy at the present time.

A 2018 study by the Fraser of Allander Institute found that a 10% increase in alcohol duty results in a reduction in both Gross Value Added (GVA) of £294 million and employment of 7,320 FTEs. However, if the government spends additional revenues from higher tax, following the pattern of their base-year spending, then the net economic impact of higher alcohol tax becomes positive with an increase in GVA of £847 million and a gain of 17,040 FTEs. As they state: "This suggests that such a policy could possibly simultaneously reduce alcohol consumption, with attendant health benefits, and stimulate economic activity: a kind of "double dividend".[xli]

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