

Crime and Justice: Civil Justice

Review of Alcohol Licensing Fees

4-consulting

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Since the alcohol licensing fees regime came into effect, in 2009, stakeholders have raised a number of concerns. Some stakeholders felt that smaller businesses paid disproportionately large fees, whilst others argued that the cost of processing applications was not affected by the size of the premises, so this should not be reflected in the level of fees. In 2010, the Regulatory Review Group (RRG) reviewed the Licensing (Scotland) Act 2005, including fees and the cost of applications, and recommended that the Scottish Government review whether rateable values or other options would be a more appropriate basis for calculating premises licences and annual fees. This research aimed to establish the current fees collected and costs incurred by Local Authorities, to evaluate the current fees regime and other potential options, and to consider stakeholder views on the current and alternative structures.

Main findings

- The majority of Boards that submitted financial data were not covering their costs with fee income and, based on their data, which excludes some large Boards, the total deficit across the whole of Scotland was estimated to be in the order of about £2.6m in the context of an estimated total spend of £9.5m, representing recovery through fee income of about 72% of costs.
- With cost data submitted for only 15 licensing boards, robust data on the overall picture across Scotland could not be established and conclusions on whether most boards were achieving cost recovery or were making a surplus or deficit could not be drawn.
- Licensing Board respondents stated that their most resource intensive activity related to the administration of applications for occasional licences, which had the lowest fee attached, and was identified by the vast majority of respondents to be too low and not to reflect costs incurred.
- The majority of stakeholders thought that most fees were about right, although views on whether the current system was fair and proportionate to all sections of the trade varied by stakeholder type.
- It was felt by some stakeholders that small retail businesses paid disproportionately high fees and that large retail premises should have paid more.
- A number of consultees expressed support for a central administration or the central setting of fees and operational systems/processes.
- Issues were identified with Members' Clubs' licence fees and a number of stakeholders felt that these needed to be rethought.
- Some stakeholders were in favour of a turnover based system and some a square footage based system; however both of these approaches were considered to be problematic and received more arguments against than in favour of their use.
- Overall, a substantial majority of Licensing Board survey respondents and stakeholder interviewees favoured modification of the existing system based on rateable value.

Aims and Objectives

The aim of the research was to establish the current fees collected and costs incurred by Local Authorities, evaluate the current alcohol licensing fees regime and consider the efficacy of other potential structures with the overall aim of informing policy decisions over whether and how to reform the alcohol licensing fee regime. The research had three main objectives:

- Establish a factual baseline
- Evaluate the current fees regime
- Evaluate these potential alternative options for premises licence applications and annual fees.

Methodology

The methodology involved legislative and document review, a survey of Licensing Boards to collect qualitative and quantitative data, stakeholder consultation, and case study visits. Responses to the survey were received from all Licensing Boards in all 32 local authority areas of Scotland, but in four cases only very minimal information was provided. The factual baseline was created using the data received.

Factual Baseline

There were 13,609 Premises Licences reported to be held as at 31st March 2012 in the areas of the 28 Boards that provided responses – this figure comprised 5,536 Off Sales Premises Licences; 6,571 On Sales Premises Licences and 1,502 Members' Clubs Premises Licences. A total of 31,812 Personal Licences were reported as having been issued by the 28 responding Boards up to 31 March 2010.

A financial data collection spread sheet was issued in conjunction with the online survey. 18 respondents completed the income spreadsheet but only 15 completed the expenditure spread sheet, and there were some issues with the financial information that was supplied. The majority of Boards that submitted financial data were not covering their costs with fee income and, based on their data, which excludes some large Boards, the total deficit across the whole of Scotland was estimated to be in the order of about £2.6m in the context of an estimated total spend of £9.5m. This represents recovery through fee income of about 72% of costs.

Individual Fees

The analysis has shown that the activity most frequently cited as the most resource intensive was Applications for Occasional Licences, which had the lowest fee attached. The vast majority (30 out of 31) of Licensing Board respondents thought that the Occasional Licence fee was too low and did not reflect costs incurred.

90% of Licensing Board respondents thought the Extended Hours Licence fee was too low, 77% thought the Minor Variation fee was too low, and 57% thought the Major Variation fee was too low. The other licence categories were, in the main thought to be 'about right' in terms of fee levels by the majority of respondents.

Stakeholder Views

The majority of stakeholders thought that most fees were about right. Stakeholders' views on whether the current system is fair and proportionate to all sections of the trade varied depending on stakeholder type.

Within the current bands there was perceived unfairness and lack of proportionality especially where large supermarkets pay only notionally more than convenience stores. There has been a trend over recent years towards much larger stores, and, whilst this has concentrated sales at the top end of the market, there is a view that this is not sufficiently reflected in the fee structure and that creating additional bands at the top of the scale would reflect this market trend.

Issues were identified with Members' Clubs' licences and a number of stakeholders felt that these needed to be rethought in order to allow bona fide Members' Clubs to operate, but to have a different system for those Members Clubs which are operating on a commercial basis.

There was said to be a lack of consistency of approach across the Licensing Boards – this led to frustration among multi-site businesses dealing with different systems in each area. A number of interviewees expressed support for a central administration or the central setting of fees and operational systems/processes. In particular, it was suggested that the administration of Personal Licences would benefit from centralisation.

Potential Alternative Fees Regimes

The research team considered three alternative fees options suggested by the steering group:

- A turnover based system
- A system based on the square footage of the premises
- Modification of the existing system by, for example, adding extra bands, adjusting the existing bands, introducing potential discounts for some licensees such as small businesses/tourist attractions, etc.

Some stakeholders were in favour of a turnover based system and some a square footage based system; however both of these approaches were considered to be problematic and received more arguments against than in favour of their use.

The turnover based system was considered to be the fairest because it linked fees directly with sales, however this approach would increase the administrative burden both for Boards, who may not have appropriate staff to administer such a regime, and for premises, particularly off-sales businesses which are not currently obliged to gather this data. Furthermore, premises are reluctant to disclose commercially sensitive information.

The square footage based system was thought to be more proportionate and fairer to smaller businesses, however a system based on square footage was considered to be difficult for Licensing Boards to administer while not necessarily equating to the amount of alcohol sold e.g. in the case of department stores.

Overall, a substantial majority of Licensing Board survey respondents and stakeholder interviewees favoured modification of the existing system based on rateable value to take account of the issues identified around the Occasional Licence fee, Members' Clubs, additional bands at the top of the scale and consistency of approach across the Licensing Boards, in particular around the administration of Personal Licences.

This document, along with full research report of the project, and further information about social and policy research commissioned and published on behalf of the Scottish Government, can be viewed on the Internet at: <http://www.scotland.gov.uk/socialresearch>. If you have any further queries about social research, please contact us at socialresearch@scotland.gsi.gov.uk or on 0131-244 2111.