FINANCE COMMITTEE

AGENDA

4th Meeting, 2010 (Session 3)

Tuesday 9 February 2010

The Committee will meet at 2.00 pm in Committee Room 2.

1. **Public Services Reform (Scotland) Bill**: The Committee will consider the Bill at Stage 2 (Day 3).

2. **Alcohol etc. (Scotland) Bill**: The Committee will take evidence on the Financial Memorandum of the Alcohol etc. (Scotland) Bill from—
   - Gavin Hewitt, Chief Executive, and Campbell Evans, Director, Government and Consumer Affairs, Scotch Whisky Association;
   - John Drummond, Chief Executive, Scottish Grocers' Federation;
   - and then from—
   - Gary Cox, Head of Licensing Team, Scottish Government;
   - Alison Douglas, Head of Alcohol Policy Team, Scottish Government;

3. **Decision on taking business in private**: The Committee will decide whether its consideration of a draft report on the Financial Memorandum of the Alcohol etc. (Scotland) Bill should be taken in private at future meetings.

4. **Scottish Parliamentary Commissions and Commissioners etc. Bill**: The Committee will consider its approach to the Financial Memorandum of the Scottish Parliamentary Commissions and Commissioners etc. Bill.

5. **Work programme (in private)**: The Committee will consider its work programme.
The papers for this meeting are as follows—

**Agenda item 1**

Members should bring with them copies of the Public Services Reform (Scotland) Bill and accompanying documents, available from the Document Supply Centre or on the Scottish Parliament website: [http://www.scottish.parliament.uk/s3/bills/26-PubSerRef/index.htm](http://www.scottish.parliament.uk/s3/bills/26-PubSerRef/index.htm)

Members should also bring with them copies of the Marshalled List and the Groupings of amendments. Both of these documents will be available from the Document Supply Centre on the morning of Monday 8 February 2010. Copies of these documents will also be emailed to members as soon as they are available.

**Agenda item 2**

PRIVATE PAPER

Submissions

Members should bring with them copies of the Alcohol etc (Scotland) Bill and accompanying documents. These have been circulated to Members previously in hard copy and are available from the Parliament's website, at: [http://www.scottish.parliament.uk/business/bills/billsInProgress/index.htm](http://www.scottish.parliament.uk/business/bills/billsInProgress/index.htm)

**Agenda item 4**

Note by the clerk

**Agenda item 5**

PRIVATE PAPER
Finance Committee

4th Meeting, 2010 (Session 3), Tuesday 10 February 2010

Alcohol etc (Scotland) Bill

Submissions

Submissions have been received from the following organisations—

- Federation of Small Businesses;
- Scottish Ambulance Service;
- Scottish Grocers' Federation;
- Scottish Retail Consortium and Wine and Spirits Trade Association;
- Scotch Whisky Association;
- West Dunbartonshire Council;
- NHS Ayrshire and Arran;
- NHS Dumfries and Galloway;
- NHS Forth Valley;
- NHS Grampian;
- NHS Health Scotland;
- NHS Highland;
- NHS Lanarkshire; and
- NHS Lothian.
SUBMISSION FROM THE FEDERATION OF SMALL BUSINESSES

Introduction

The Federation of Small Businesses is Scotland’s largest direct-member business organisation, representing around 20,000 members. The FSB campaigns for an economic and social environment which allows small businesses to grow and prosper.

We welcome the opportunity to submit our comments to the Finance Committee on the Financial Memorandum which accompanied the Alcohol etc. (Scotland) Bill.

Consultation

The FSB in Scotland did submit a response to the Changing Scotland’s Relationship with Alcohol consultation in September 2008, as a significant minority of our membership are small independent retailers and could be affected by the proposals outlined in the Bill.

Promotions

The FSB has consistently supported the ending of irresponsible promotions that encourage binge drinking. However, such intervention has to be balanced against the risks of the government intervening in the market, by deciding the pricing structure for a particular product.

Many small retailers promote particular products as a means of increasing sales across their store. Given the economies of scale, a supermarket is able to negotiate a lower price on a product than a smaller retailer. Promotional activity is one of the few ways smaller retailers can contend with the supermarkets. The FSB has been campaigning over a number of years now to “Keep Trade Local”, and we believe that small independent retailers provide a valuable resource to local communities. It is extremely important that these small local businesses remain able to compete in their communities.

There are many small retailers in areas of Scotland that are dependent on tourism for much of their turnover. The FSB sees a potential for small niche shops in these areas being disadvantaged if they are not able to promote local brands such as whisky, liqueurs and real ales. We would like to see these important small businesses protected in any future legislation.

Anecdotal evidence suggests that most small shops are often not the main culprits associated with what might be deemed irresponsible pricing. The FSB has previously campaigned against the use of ‘loss leaders’ as a sales tactic by larger retailers.

Minimum Pricing
We also note at this stage that it may be difficult for a small retailer to accurately assess the impact on his business when the proposed minimum price and other restrictions remain unpublished.

Many small retailers are concerned about the potential cost associated with the introduction of a minimum price. For example, it has been widely suggested that the price on the product as well as shelf edges and computer data systems would have to be updated. For a small retailer with limited staff resources, making these changes could be a considerable undertaking.

**Social Responsibility Levy**

At present, there is uncertainty about the impact of the proposed social responsibility levy as there is no detail about who will pay the levy, how it would work and how much would be raised. Due to the lack of detail that exists at present, the FSB is not in a position to measure the potential impact this would have on small independent retailers.

While recognising that not all retailers operate within the law, the overwhelming majority of small independent retailers do, and they provide a valuable service to their local communities. The FSB has previously expressed its view that we oppose the introduction of a social responsibility levy as legislation already exists to punish retailers who break the law. This should be rigorously enforced before imposing additional costs on small businesses, the overwhelming majority of whom operate within the law.

The proposed levy would also affect the same group of businesses that have recently faced higher costs following the introduction of the new licensing regulations.

We have also previously expressed a view that it would set a precedent if those retailers who sell alcohol paid for the social costs of its effects. For example, should a fast food company pay for the effects of obesity?

**Conclusion**

The FSB is grateful for the opportunity to participate in this consultation and we hope that our comments are helpful in your scrutiny of the Bill.
SUBMISSION FROM SCOTTISH AMBULANCE SERVICE

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes – copy of response attached

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

It is difficult to identify, without the background detail, whether Scottish Ambulance Savings have been identified in the overall £405 million annual savings to NHS Scotland

3. Did you have sufficient time to contribute to the consultation exercise?

Yes.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

The Bill should it achieve the desired reduction in harmful drinking would help avoid costs, and manage demand more appropriately such that critically ill and injured people receive a higher quality service.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

We do not currently anticipate any direct cost to SAS

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

The Scenarios used to estimate the impact, the costs and the timeframes appear reasonable to base likely outcomes and have factored in a degree of uncertainty.

Wider Issues

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

N/A
8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

Any further impact on harmful drinking should have consequential efficiencies for the Scottish Ambulance service.
Scottish Ambulance Service (SAS) Response

• General Comments

SAS welcomes the opportunity to contribute to this call for evidence and we support the general principles of the Bill. Alcohol puts significant strain on SAS resources and potentially affects our ability to respond to other medical emergencies, as well as affecting the wellbeing and safety of our staff responding to alcohol-related incidences.

We are particularly compelled by some specific findings of a study carried out by Sheffield University that considered the implications of a range of options in Scotland. Based on a minimum price of 40p per unit of alcohol being introduced along with a ban on price promotions, it is estimated that:

- Consumption among harmful drinkers in Scotland would fall 8.7 per cent
- Deaths would fall by about 70 in the first year and 365 per year by year 10 of the policy
- A reduction in illnesses of 1,200 in the first year and 3,700 per year by year 10
- A reduction in general hospital admissions of 1,600 in the first year and 6,300 per year by year 10 (representing 15 per cent of total alcohol-related admissions).
- A reduction in crime of 3,200 offences per year

As many as two-thirds of calls to SAS at the weekend can be alcohol-related, ranging from direct harm to the individual from alcohol, and alcohol-related accidents and violence. The latter is also a considerable challenge and threat to the effectiveness and wellbeing of our front-line staff, with impacts on morale and sickness absence rates.

We agree with the view of the national Violence Reduction Unit that if we reduce the accessibility and availability of alcohol, we will reduce violence – as well as reducing the considerable burden on our economy and our health service.

A reduction in alcohol consumption could also help to mitigate unprecedented increases in emergency demand in recent years. There should be benefits of reduced A&E attendances and general health improvement benefits.

• The advantages and disadvantages of establishing a minimum alcohol sales price based on a unit of alcohol.

SAS supports the statement of BMA Scotland and others around the evidence of a strong relationship between price and consumption: as price falls, consumption increases. Alcohol has become progressively more affordable, particularly for off-
sales. If heavy drinkers are drinking less, friends and family will notice a positive difference in their lives. If young people are drinking less, they will be less at risk of coming to harm themselves and less likely to disrupt those living in the local area.

We also agree with the view of the national Violence Reduction Unit that if we reduce the accessibility and availability of alcohol, we will likely reduce violence – as well as reducing the considerable burden on our economy and our health service.

- **The level at which such a proposed minimum price should be set and the justification for that level.**

SAS does not have a particular view on this, other than the level should be set at some such point where evidence exists of a likely meaningful impact on consumption.

- **The rationale behind the use of minimum pricing as an effective tool to address all types of problem drinking**

SAS supports the view that minimum pricing is the best mechanism to change the business practices such as loss-leading and heavy discounting that are contributing to these problems. We believe that minimum pricing could have a significant and positive impact on health as part of a co-ordinated strategy. Treating alcohol-related conditions cost the NHS in the UK approximately £2.7 billion in 2006/07, almost double the 2001 cost.¹

¹ NHS Confederation and Royal College of Physicians Joint Briefing, 1 Jan 2010

- **Possible alternatives to the introduction of minimum pricing as an effective means of addressing the key public health issues around alcohol consumption**

SAS believes that tackling the availability of cheap alcohol is a very important step, but that it is also important to have a co-ordinated strategy on tackling alcohol problems, including education, prevention and treatments service as part of a wider package. These services require ongoing investment and should be designed on the best available evidence of effectiveness. They should also build upon the most successful partnership approaches involving the NHS, local government, the third sector, police and criminal justice agencies and other key stakeholders.
SUBMISSION FROM THE SCOTTISH GROCERS’ FEDERATION

1. The SGF welcomes the opportunity to provide written evidence to the Finance Committee on the financial memorandum of the Alcohol etc. (Scotland) Bill.

2. SGF is the trade association for the Scottish Convenience Store Sector. It is the authoritative voice for the trade to policy makers. The SGF brings together retailers throughout Scotland, from the Scottish Co-operatives, SPAR, Keystore, Nisa and local independents. Our members sell a wide selection of products and services throughout local town centre, rural and community stores. According to recent statistics (2007) there are just over 5,600 convenience stores throughout Scotland, with annual sales in excess of £3.2 billion.

3. The SGF did respond to the Scottish Government’s consultation “Challenging Scotland’s relationship with alcohol: a discussion paper on our strategic approach”, held in June 2008. At that time we raised our concerns regarding the measures in the consultation and the impact they would have on small retailers.

4. It is difficult to predict what the possible outcome for retailers will be when we are unaware of the level the proposed minimum price and other restrictions, if introduced. However, we can provide some general comments.

5. The introduction of a minimum price would have a limited impact on small shops that are not able to offer very low cost promotions. Within the grocery market it has become common practice for the large supermarkets to loss lead on alcohol as a means of driving footfall and increasing market share. Minimum price would put an end to the practice used by some in the grocery trade of selling alcohol at very low prices.

6. There would be administrative costs associated with the introduction of minimum pricing as there would be a requirement to alter pricing both on the product, shelf edges and computer systems. For local shops operating with a small workforce the impact of the changes would be felt more acutely, as in all likelihood it would require a member of staff several days to make the changes to the computer system. In addition any subsequent changes to the minimum price would result in additional administration costs for retailers.

7. SGF is concerned the introduction of a minimum pricing policy in Scotland is likely to encourage cross border shopping to the North of England which would have damaging and lasting consequences for off-sales retailers, particularly those located in the south and central regions of Scotland.

8. Minimum pricing would lead to a growth of “white van man”, activity as consumers turn to other channels to purchase alcohol to avoid higher prices. This would have a damaging impact on small shops.
9. The introduction of minimum pricing is likely to benefit internet sales of alcohol. Clearly this would be damaging to the trade of many small retailers in Scotland without affecting the consumption of alcohol.

10. Promotional activity in a convenience store is designed to promote business not only on the product or products involved but also across the store generally. It is intended to increase footfall and increase a retailer's market share. A supermarket will obtain lower prices from a supplier due to economies of scale and greater bargaining power, than a small shop can achieve. Small shops cannot compete with supermarkets on price. Promotions are one of the few marketing tools small shops can use to compete with the supermarkets. If promotions are to be restricted and a pricing mechanism is not introduced to prohibit below cost selling, supermarkets could circumvent promotional restrictions by offering lower unit prices. This would be extremely damaging for small shops that would be unable to compete. The closure of small shops would have a detrimental affect on many communities across Scotland.

11. In our response to the consultation we underlined the importance of window bills and promotional leaflets for the convenience store sector. For small independent convenience store retailers window bills, in-store point of sale cards, posters and promotional leaflets represent the only realistic method of advertising their special offers or promotions whilst large operators can afford radio, print and TV advertising. Any restrictions on promotional material relating to alcohol should apply across all forms of media or not at all. We are concerned the current measures in the Bill will have a disproportionate impact on small shops, especially as it could encourage the supermarkets to divert revenue to additional radio and TV advertising.

12. Retailers affiliated to a symbol group e.g. SPAR often take part in national promotions which are supported by point of sale material. Restrictions on promotions in Scotland would result in Scotland specific promotions. This would increase costs for Scottish retailers as separate promotional materials would have to be produced. However, as we do not know the exact detail of any of these restrictions it is difficult to measure what the exact effect might be.

13. The Financial Memorandum refers to a Social Responsibility Levy and ongoing discussions between the Scottish Government and stakeholders to develop the detail of the levy. SGF is concerned the Scottish Government is proposing to give a broad power to Ministers to allow local authorities enabling powers to raise supplementary taxes via the licensed trade, without adequate scrutiny. We are concerned at the uncertainty surrounding this issue. Due to the lack of detail we have no way of measuring the impact this would have on small shops. Whilst not supportive of such a tax, if one were to be introduced, it should be fair, reasonable and proportionate.
14. The financial impact for retailers of increasing the age to purchase alcohol in off-sales depends on the extent to which Licensing Board choose to establish such conditions and the geographical area of the ban. The financial impact on a retailer will depend on the behaviour of customers and if they choose to shop in a different area which is not affected by a ban. If customers do switch to a different shop or alternative forms of shopping it could be extremely damaging for a retailer. For this reason SGF is extremely concerned that Section 9 in the Bill which enables licensing boards to apply new conditions on all or certain licences at one time would give boards the ability to make unilateral decisions with no recourse for retailers. This is disproportionate and unfair for retailers running highly responsible businesses, who through no fault of their own are located within a geographical area in which the licensing board believes off-sales to under 21s is resulting in a detrimental impact on that community.

John Drummond
SGF Chief Executive
SUBMISSION FROM THE SCOTTISH RETAIL CONSORTIUM AND THE WINE AND SPIRIT TRADE ASSOCIATION

1. The SRC and WSTA thank the Finance Committee for the invitation to submit written evidence on the Financial Memorandum for the Alcohol etc (Scotland) Bill. The SRC represents general retailing in Scotland whilst the WSTA is a UK-wide organisation for the wine and spirits trade which includes retailers among its members, many of them also members of SRC.

2. However, the SRC and WSTA are not submitting detailed evidence on this occasion. As recorded in the Financial Memorandum, the two organisations were among those consulted on the financial assumptions but likewise did not comment at that stage on the estimated costs to the retail sector, although clearly there are very substantial implications for retailers. It might be helpful briefly to explain the reasons why.

3. The main proposals in the Bill as far as the retail sector is concerned are:

   - Minimum pricing
   - Restrictions on multi-buy discount promotions and on promotional materials
   - Social responsibility levy
   - Local raising of the legal purchase age to 21.

4. As trade associations the SRC and WSTA are constrained by competition law from having any involvement in pricing and promotion which are properly matters for individual companies. All companies have different product ranges, pricing models, promotional practices, customer loyalty schemes etc. Each retailer would therefore be affected in substantially different ways by the proposed pricing and promotional restrictions. These effects could include consumers switching to different products or price points, and to/between different retail outlets and channels; and the retailers themselves continuing to try and compete with each other, switching to alternative forms of promotion, dropping certain products/categories from their ranges, amending price points and so on.

5. The planning and modelling of such effects would be exceptionally complex. Even within each company, the level of analysis, to assess and project what might happen, would be very significant. These matters are commercially confidential and are rightly not shared with representative bodies. It would in any event be beyond the scope of our current resources to conduct a meaningful or accurate sector-level analysis of such data – the SRC for example has to deal with a very wide range of policy developments impinging on both grocery and non-grocery retailing as a whole.

6. Before investing in such substantial research, individual retailers might also be forgiven for wanting, first, to be certain that minimum pricing, and/or the promotional restrictions, are definitely going to happen; and secondly, to have the crucial piece of the jigsaw which is to know exactly what the proposed minimum price and other restrictions are going to be. Without
final details it is very difficult for them to assess the effects; and even then they would, again, have constraints on sharing their analysis.

7. Similar uncertainty surrounds the social responsibility levy. It is recognised in the Financial Memorandum that the short clauses in the Bill represent only an enabling power and do not contain detail on who will pay the levy, how it will work and how much will be raised. Indeed concerns about this lack of clarity and the use of delegated powers were raised at this week’s meeting of the Subordinate Legislation Committee in its scrutiny of the Bill.

8. On local raising of the legal purchase age to 21, the SRC and WSTA endorse the comment in the Financial Memorandum that the impact on retailers will depend on the extent to which local Licensing Boards do decide to impose restrictions and in what areas. There is scope for them to apply to one shop, one street, one district, a whole town or to an entire Licensing Board area – it is almost impossible to predict the economic and competitive effect which could be very variable depending upon the scope of any bans. There is then further uncertainty of impact depending on the degree to which affected consumers will switch their purchasing to shops in neighbouring areas which are not subject to restrictions, to alternative sales channels such as the Internet (or even to illicit suppliers), and to the on-trade.

9. The SRC and WSTA hope that the above will help to explain why, in responding to the Bill, the retail sector has concentrated not on the uncertain financial impacts but on the fundamental principles underlying the Bill, about which very detailed written evidence has been submitted to the Health & Sport Committee. It is assumed that copies of these submissions will be available to the Finance Committee if needed.

10. The SRC and WSTA would only make a couple of comments on other assumptions within the Financial Memorandum:

- The Committee’s attention is drawn to paragraph. 51 which explains that the modelling of the effects of the promotional restrictions included price reduction promotions (which are not proposed to be restricted under the Bill) as well as quantity discount promotions (which are), and which notes that it is therefore not possible to quantify accurately the impact of that aspect of the Bill – especially since, as noted earlier, there will inevitably be a shift in the types of promotions and in promotional practices if these clauses were enacted.

- This is perhaps a specific example of a general comment which has been made, that the modelling is by its nature theoretical and does not necessarily take account of all the real complexities of the market and the ways in which, as outlined earlier, both consumers could switch their spending habits, and individual companies would model their own business plans, in response to the changed market dynamics which would follow the enactment of the Bill.
Scottish Retail Consortium
Wine & Spirit Trade Association
28 January 2010
SUBMISSION FROM THE SCOTCH WHISKY ASSOCIATION

Introduction

The Scotch Whisky Association (SWA) is the industry’s representative organisation. Its 55 member companies – Scotch Whisky distillers, blenders, and bottlers – account for over 90% of the industry.

The SWA recognises the need to address alcohol misuse in Scotland. We are committed to playing our part to reduce alcohol-related harm, promoting a culture where responsible alcohol consumption is the accepted norm and misuse is minimised.

A key objective of the Scottish Government’s approach is a reduction in total alcohol consumption. We believe the focus should be on a reduction in the number of those drinking at harmful and hazardous levels. Targeting such drinkers would lead to a reduction in total consumption, without requiring blunt measures that penalise all drinkers.

The SWA supports many of the proposals being brought forward in the Alcohol Bill. The industry is, however, fundamentally opposed to the introduction of minimum pricing. By way of summary, we believe minimum pricing:

- will be ineffective. There is no evidence that it will reduce the number of hazardous and harmful drinkers in Scotland.
- is illegal, being contrary to EU Single Market rules and international trade law.
- will seriously damage the competitiveness of the Scotch Whisky industry at home and in export markets, at a time when the sector continues to face major economic challenges.

We would welcome the opportunity to discuss the points set out in our submission in more detail with the Committee.

Response to Finance Committee questions

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

The SWA responded to the Scottish Government’s June 2008 consultation ‘Changing Scotland’s relationship with alcohol: a discussion paper on our strategic approach’. The Association is also a leading member of the Scottish Government Alcohol Industry Partnership (SGAIP). Following publication of the Government’s March 2009 consultation response, the proposals for the Bill were included as a regular agenda item at SGAIP meetings. Regrettably, the Sheffield University modelling work on which much of the Financial Memorandum is based was not discussed at any of these meetings.

On 3 September 2009, the SWA received a Scottish Government questionnaire seeking input as officials prepared the draft Regulatory Impact Assessment (RIA) for the Alcohol Bill. The Association submitted its response to this request
on 6 November. At no time was the SWA given the opportunity to comment on any financial assumptions made in the Financial Memorandum.

2. **Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?**

No. The SWA was not consulted on any financial assumptions made. As the Financial Memorandum states, the Association was consulted on various questions relating to minimum pricing and a discount ban. The responses to these are referred to in the RIA published on 14 December. However, it is unclear to what, if any, assessment or consideration was given to the points raised in the SWA submission.

3. **Did you have sufficient time to contribute to the consultation exercise?**

There was no consultation with the Association, or as far as we understand any other part of the alcohol industry, on any of the financial assumptions made in relation to the Financial Memorandum.

4. **If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.**

(a) International Implications

The minimum pricing proposal will have significant financial implications for the Scotch Whisky industry and the wider economy which relies on the sector. This impact will be exacerbated by the continuing economic uncertainty. Such costs have not been reflected in the Financial Memorandum.

Scotch Whisky is a key industry and driver of the Scottish economy, representing 22% of manufactured exports and 90% of Scotland’s food and drink exports. Market access restrictions threaten industry competitiveness.

As an industry, Scotch Whisky faces over 600 trade barriers worldwide. It is therefore important to understand how a Scottish minimum pricing mechanism would encourage increased barriers to the trade of Scotch Whisky overseas. Econometric analysis, and an assessment of countries which may seek to use the Scottish example as justification for increasing discrimination against spirits, suggests a potential £150 million reduction in exports (based on a minimum price of 50p per unit increasing in price by 30%). Widening that assessment, minimum pricing could result in an annual loss which could potentially reach up to £600 million in reduced Scotch Whisky exports, equivalent to 20% of global sales.

It has been suggested that the Scottish minimum pricing scheme would not discriminate or be protectionist and thus not present a precedent for governments abroad. We believe such a claim misunderstands the global market in which the industry operates. It is the breach of international
trade law, not the nature of the Scottish system, that threatens Scotch Whisky exports and the wider Scottish economy.

The Scottish system need not be replicated abroad. If a precedent of overriding trade rules is secured we believe this will lead to a domino effect of ‘health-based’ restrictions on Scotch being applied in our export markets.

Whilst the RIA states no information was provided on countries contemplating the introduction of such measures, case studies were included in our submission. These focused on the potential negative impact overseas, for example in South Korea. Since the start of 2010, at least three markets (Russia, Moldova, and Uzbekistan) have announced the introduction of minimum pricing. The SWA is investigating their specific nature but it would appear that two schemes discriminate against spirit drinks. The SWA previously warned that copycat measures were likely. Also, as a ‘unit of alcohol’ is very much a UK concept, it is unlikely these countries will be copying the Scottish approach of a minimum price on a unit of alcohol basis.

(b) Domestic Implications

The ‘Sheffield’ report on which the minimum pricing policy is based did not consider supply side impacts, which was stated as being outside its scope. However, the SWA’s draft RIA submission to the Government set out the potential implications for the Scotch Whisky market in Scotland (p43 para 5.49 – 5.52 of RIA refers). These include:

- An assessment on the impact on those companies whose business model is heavily weighted towards supplying own-label and value brands. These are likely to be significantly impacted by the introduction of minimum pricing. We estimate this could put at risk around 400 jobs.

- Minimum pricing would not solely impact on ‘low cost, high strength products’ as claimed by the Scottish Government. Brands that seek to maintain a premium to value brands will be forced to increase their prices in order to maintain the differential. Given the price sensitivity of Scotch Whisky this may be difficult to achieve. Alternately, we could see commoditisation or compression of the market where the differential between value brands and premium brands is removed.

- Minimum pricing gives retailers considerable control. It could be that with reduced shelf space due to the Licensing Act provision restricting display areas, retailers stock branded Scotch Whiskies exclusively, removing own label and value products (30% of sales) from shelves. Alternatively, own label brands facing price increases may provide a source of incremental retailer margin, who may lift the price of premium spirits beyond the minimum to maximise the return available. This may encourage consumers to trade down to value brands sold at the minimum price, or to switch to other categories of alcohol. A brand’s
premium position may also be threatened if retailers hold price close to the minimum, reducing brand value in the eyes of the consumer.

The RIA (para 5.52) acknowledges the supply side reaction to the introduction to minimum pricing is unknown. It suggests producers may be incentivised to produce lower strength products. This is simply not an option open to Scotch Whisky which, as required by law, has a minimum strength of 40% vol.

Both the Sheffield researchers and the Government funded health lobby organisation, Scottish Health Action on Alcohol Problems, acknowledge there are unintended consequences resulting from the introduction of minimum price. These are likely to include an increase in cross-border shopping, illicit production, smuggling and opportunities for organised crime. Unfortunately, no assessment of such impacts is included in the Financial Memorandum.

The RIA (para 5.29) does, however, highlight the experience of Northern Ireland which has seen an explosion in cross-border shopping from Eire. The RIA suggests this is primarily due to the depreciation of the euro. It is important to note in December last year the Irish Government cut excise tax on all alcoholic beverages by 20% and VAT by 0.5% with the explicit objective of cutting cross-border shopping with Northern Ireland.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

If minimum pricing is introduced in Scotland this will require producers to amend the bar code information on all products destined for the Scottish market, creating separate stock keeping units (SKUs) for north and south of the Border. This would generate additional logistical costs for managing separate stock. As set out above, we strongly believe minimum pricing will fundamentally damage the financial well being of the Scotch Whisky industry going forward, with consequences for the wider Scottish economy. A negative impact on employment is likely, as is reduced spend with suppliers and a decline in investment.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

No. The information presented in the Financial Memorandum presents no margins of uncertainty or range of costs for any of the policy measures.

Significant reliance is placed on one study, the so-called 'Sheffield' report. This modelled minimum pricing, and minimum pricing in combination with a discount ban. A range of minimum prices was modelled from 25p to 70p per unit of alcohol in 5p increments. The costs and benefits set out in the Financial Memorandum are a range based on the lowest and highest minimum unit prices...
modelled as the Scottish Government has not specified the minimum price that would be set. There is no indication of the margin of error related to the output figures derived from the Sheffield modelling work.

Indeed the figures derived from the Sheffield model are surprisingly very precise and absolute. They are point estimates rather than a range being presented. As to whether these figures would actually be achieved in reality is a different matter.

7. **If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?**

The RIA makes clear the Bill is part of a wider policy initiative. The provisions in the Bill are aimed at two of the four areas set out in the Government’s framework for action: 1) to reduce alcohol consumption and 2) to support families and communities.

We welcome the Scottish Government’s increased allocation of funds to tackle alcohol-related harm. Much of the additional funding included in the increased budget of £120 million over years 2008-09 to 2010-2011 is targeted at the roll out and delivery of brief interventions. We also support the recognition that the brief intervention technique is as an evidence-based, cost-effective intervention in reducing alcohol-related harm.

As far as we can ascertain, the associated costs of delivering the other two areas of the Framework for Action – positive public attitudes, positive choices and improved support and treatment - have not been included within the Financial Memorandum.

8. **Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?**

The Social Responsibility Fee will impose further costs on industry. How the fee is introduced and applied will determine the size of these costs. The SWA would support a fault-based approach, targeted at irresponsible licensees, which are shown to be contributing to alcohol-related harm.

**Additional Comments on the Financial Memorandum**

Much of the information in the Financial Memorandum on the costs and benefits of minimum pricing is based on modelling work commissioned by the Scottish Government from the University of Sheffield. We believe this study to be flawed and limited in a number of ways.

- The study is based on limited empirical evidence. It is an academic modelling study relying heavily on estimates and assumptions. Key parts of the report are not based on Scottish data. Instead, simplistic assumptions are made that drinking patterns and costs are the same in Scotland as elsewhere.
• Despite 2008 figures being available, five year old consumption data is used (Scottish Health Survey 2003). 2008 data showing a fall in consumption has been ignored.

• The report acknowledges the general lack of evidence in the international literature between consumption and specific harms. The literature shows heavy (harmful) drinkers are less responsive to price increases than moderate drinkers, indicating the Government proposals will influence the behaviour of moderate drinkers not heavy consumers.

• The potential impact of price changes on hazardous/harmful consumers is overstated. It assumes harmful drinkers purchase cheaper alcoholic beverages most impacted by minimum pricing. The Scottish Government claims hazardous/harmful drinkers are found in all income groups not just those purchasing lower cost alcohol.

• The study makes no assessment of unintended law and order or economic consequences, i.e. an increase in cross border shopping, illicit production, smuggling and opportunities for organised crime as a result of introducing a minimum price.

• The study uses higher average wages than are to be found in Scotland to estimate direct benefits to the economy; this is likely to overstate the benefits claimed.

• Any fall in overall consumption will not lead to a significant fall in harm. The proportion of hazardous and harmful consumers, and associated harm, remains unchanged. Yet, these drinkers consume nearly 80% of total volume.

• There is no assessment of how minimum pricing will impact on different socio-economic groups. Hazardous/harmful consumers exist across the deprivation spectrum from least deprived to most deprived. Affluent harmful/hazardous drinkers will already choose to purchase alcoholic drinks based on their preference not cost. They will not be impacted by minimum pricing. This is not factored into the claimed impact of the modelling.

• Households experiencing problem drinking are likely to face increased expenditure of several hundred pounds and this is likely to especially impact those on lower incomes. The significant additional projected expenditure is likely to drive cross border sales and black market supply.

• The effectiveness of minimum pricing and off-trade promotion bans is overstated. The report claims the policies modelled are more effective in reducing consumption in Scotland as off-trade sales are a higher proportion of the market than England. But, the report acknowledges the Expenditure & Food Survey used means in the modelling based on a higher proportion of off sales than shown in the real world Nielsen report commissioned by the Scottish Government. The Nielsen Report shows sales of pure alcohol in the off-trade in Scotland accounts for 63.3% compared to 62.8% in England & Wales. The
figures used from the Expenditure & Food Survey are much higher (73% and 69% respectively).

The Scotch Whisky Association
January 2010
SUBMISSION FROM WEST DUNBARTONSHIRE COUNCIL

Thank you for your letter of 22 December 2009 inviting comments on the financial implications to local authorities of the Alcohol etc (Scotland) Bill. The likely costs to the local authorities will arise in the following areas:

1. Minimum Pricing

Paragraph 59 of the financial memorandum suggests that the additional work for local authorities will generally arise in ensuring compliance and in taking enforcement action. It suggests that as the additional number of new conditions is small in relation to the number presently being checked the additional work is considered to be small in relation to the overall work of Licensing Standards Officers, and as such costs are likely to be marginal. It also states that the cost of running the licensing system, including the costs of the LSOs are generally recovered by Licensing Boards from fee income in line with the Licensing (Fees)(Scotland) Regulations 2007.

These assumptions are not entirely correct. The first assumption assumes that Licensing Standards Officers visit all premises and that a check on minimum pricing can be carried out when checking on other items. In practice LSOs, like all other regulatory regimes carry out a targeted approach to enforcement, in line with the Hampton Principles of Better Regulation. This means that the introduction of minimum pricing is likely to result in visits to premises which would not otherwise be visited, resulting in additional workload.

The second assumption is that the costs of running a licensing system are generally recovered by the Board from fee income under the 2007 Regulations. It is probably correct that the costs of Boards in dealing with the transitional period prior to September 2009 were fully recovered by fees. Thereafter costs are to be recovered by an annual fee levied on premises, plus minor licence applications. In the case of West Dunbartonshire Council it is expected that the annual fees will bring in £60,000 per annum. At best other fees will bring in £30,000.

This has to fund the salary costs of two Licensing Standards Officers of nearly £80,000 including employer National Insurance and superannuation contributions their travel and training expenses, plus the costs of the Clerk to the Board, administrative and clerical support and support from Environmental Health, Planning and Building Standards as required. There are also costs in supporting and training Members of the Licensing Board and Licensing Forum. Accordingly the annual fees barely recover the costs of the Licensing Standards Officers let alone any other costs of the Board. While noting the high costs which the licensing trade incurred during the transitional period (of which the fees formed part along with applicant’s own solicitors and architects fees) and the concerns of the trade at the level of fees during the transitional period, the annual fees require to be urgently examined. Otherwise the principle that licensing should be self funding will be breached. Given the financial climate facing local authorities it is
inevitable that the support offered to Licensing Boards will be scaled back, potentially prejudicing both the implementation of the Act and the parliament's aims of alcohol reduction.

2. **Off-Sales Drinks Promotions**

   The foregoing comments also apply to drinks promotions. However, it should also be noted that there may be significant legal costs if local authorities take action against major supermarkets. Allowance needs to be made for this.

3. **Sale of Alcohol to Under 21s**

   The comments under point 1 are also relevant.

4. **Social Responsibility Levy**

   In principle any costs arising from this should be met from the levy and the cost impact on local authorities should be neutral.

As will be evident the primary problem for local authorities lies with the rate of the annual fees. The new duties imposed under the Alcohol etc (Scotland) Bill are with the exception of legal costs against supermarkets, potentially small. However they compound an existing problem.

Andrew Fraser
Head of Legal, Administrative and Regulatory Services
SUBMISSION FROM THE NHS AYRSHIRE AND ARRAN

Over the next five to ten years, public services are likely to see real terms reductions in their budgets. The cost to these organisations, and society in general, of alcohol misuse is very high as demonstrated by the financial memorandum.

NHS Ayrshire and Arran would welcome reduced costs for public sector organisations arising from alcohol misuse (as estimated in the ScHARR report) and we believe that introduction of minimum pricing as proposed in the Bill will contribute towards this.
SUBMISSION FROM THE NHS DUMFRIES AND GALLOWAY

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

   NHS Dumfries and Galloway did not take part in the consultation exercise for the Bill.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

   N/A

3. Did you have sufficient time to contribute to the consultation exercise?

   N/A

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

   The financial implications for NHS Boards have concentrated on the general health benefits accruing from the proposals contained within the Bill and the associated cost savings with respect to the following:
   • reductions in alcohol-related deaths
   • reductions in the number of people suffering a chronic alcohol-related illness
   • reductions in hospital admissions
   • reductions in overall healthcare costs

   When these costs are considered alongside the cost savings anticipated for other services (e.g. Police) the sums are substantial.

   What is not quantified is the possible rise in numbers seeking treatment for their alcohol-related problems rather than continuing to drink at current levels or the possible rise in numbers seeking treatment for other health problems if they choose to spend a greater proportion of their income on alcohol. These factors may incur a financial cost to NHS Boards and need to be monitored before financial decisions based on current modelling are taken.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

   Subject to the possibilities mentioned in (4) above, we do not foresee any significant increase on the financial burden caused by alcohol misuse on NHS Boards being created by these proposals.
6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

If the Bill becomes law we would expect the financial assumptions and estimates contained within the Financial Memorandum to be subject to continual re-assessment and funding decisions taken based on the outcome of such ongoing assessments.

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

In respect of the NHS Boards, yes.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

It is possible that the Bill may produce unintended consequences in (e.g.) unemployment in the alcohol production industry or the off-sales trade. As employment status is an underlying determinant of health status this may produce additional costs to the NHS in the future. Again, we believe that the effects of the Bill being enacted needs to be monitored over time and that the monitoring should include other factors and not just the direct effects on alcohol consumption.
SUBMISSION FROM NHS FORTH VALLEY

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?
2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?
3. Did you have sufficient time to contribute to the consultation exercise?

As Director of Public Health I have not previously commented on the financial assumptions made regarding the alcohol bill.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

The Bill does not place any additional financial implications on NHS Forth Valley. The Financial Memorandum of the Alcohol Bill provides evidence that implementation of the Bill would lead to a reduction in the harmful effects of alcohol on health and that this would lead to savings within healthcare. However the evidence is based on the assumption that consumer behaviour will respond to price changes and that those drinking harmful and hazardous amounts would reduce their consumption most. On page 23 paragraph 94 the memorandum states that healthcare costs are estimated to reduce by around £3 million in the first year. For the full 10 year effect the healthcare service costs are estimated to reduce by around £64 million. However the NHS would not be in a position to realise these savings as they are mainly based on staffing and other overheads.

However any reduction in alcohol related harm would be beneficial to society as a whole and improve the quality of healthcare for all involved. It is estimated that minimum pricing would lead to reduction in the harm to health and employment and reduce crime and the associated wider consequences.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

NHS costs are not expected to increase associated with the Bill.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

I believe that the uncertainty has been explained.

Wider Issues
7. **If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?**

8. **Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?**

Impossible to predict at present.

Dr Anne Maree Wallace
Director of Public Health
SUBMISSION FROM NHS GRAMPIAN

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes, NHS Grampian have previously indicated their support for the proposals with particular mention of the Minimum Pricing Policy and supporting evidence. There was no specific comment on the financial assumptions.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes, NHS Grampian has nothing to add to the information as outlined in the Financial Memorandum.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes, time was managed to ensure this.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Yes, the explanatory notes to the Bill adequately explain the benefits to the Health system and the source of evidence to support introduction of the proposed changes, in particular minimum pricing of alcohol.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Implementation of the proposed changes as outlined in the Bill will have a beneficial financial impact on the Health Service in Scotland. It is anticipated that this will apply also to NHS Grampian and is consistent with the public health evidence base available to clearly support almost all components of the Bill.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

The Financial Memorandum provides a comprehensive assessment of the potential impact of the Bill.

Wider Issues
7 If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

NHS Grampian is unable to comment on this aspect at this time. It is not clear which associated costs are being referred to.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

NHS Grampian is unable to comment on this aspect at this time.

Dr Lesley Wilkie
Director of Public Health
SUBMISSION FROM THE NHS HEALTH SCOTLAND

Further to the letter from Kevin Woods, dated 12 January, in respect of the above, I can confirm that there are no financial implications for NHS Health Scotland associated with the Bill.
SUBMISSION FROM NHS HIGHLAND

Consultation

9. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

NHS Highland have submitted a response to the request for evidence to the Health & Sport Committee, the key focus was to respond to the questions and as such no direct comment was given on the financial assumptions made.

10. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

N/A

11. Did you have sufficient time to contribute to the consultation exercise?

The timescale was restrictive however NHS Highland considers the Alcohol etc (Scotland) Bill to be an important piece of legislation, which sets out a real opportunity to address the issues of high alcohol consumption to have a significant and positive impact on the health of our communities therefore responding, was considered a priority. In terms of commenting on the financial memorandum, perhaps this could have been more explicit at the time the initial call for evidence was made in order that a more in depth analysis could be made at local level.

Costs

12. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

NHS Highland believes that the Financial Memorandum has adequately covered the implications of the Bill. It is recognised the introduction of a minimum price in combination with a ban on discounted alcohol will have significant impact on the reduction of alcohol related harm.

13. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

NHS Highland agree with the conclusion contained within the memorandum that there will be a significant reduction in alcohol related admissions, therefore healthcare costs are estimated to reduce.

14. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?
The analysis contained within the Financial Memorandum would appear to have accurately captured this.

**Wider Issues**

15. *If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?*

The Financial memorandum has considered the financial impact form a range of perspectives, including those areas where there may be considered the Bill will have a significant financial impact. NHS Highland believes that the gain for society in implementing the Bill out ways any financial outlay.

16. *Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?*

It would be difficult to quantify potential future costs although NHS Highland would suggest that that be an accepted risk in order to ensure improvement in public health.
SUBMISSION FROM NHS LANARKSHIRE

1 Purpose of Report

The attached report sets out NHS Lanarkshire’s response to the questionnaire designed to assess key stakeholders perspectives on the financial impact of the Alcohol Etc. (Scotland) Bill issued by the Scottish Parliament, Finance Committee. This information is in addition to the written response provided on the Bill to The Scottish Parliament’s Health and Sport Committee which was submitted on 15th January.

2 Nhs Lanarkshire Response

2.1 Consultation

Q1 Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes, NHS Lanarkshire did take part in the consultation exercise for the Bill. NHS Lanarkshire supported the financial assumption made within the Bill and supported a minimum price of £0.50 per unit. The justification for this level was based on the University of Sheffield’s Report (2009) which suggests that as the minimum price threshold increases, alcohol-related hospital admissions and deaths are estimated to reduce.

At a national level this would see a reduction of 3,600 admissions per annum for a £0.40 price threshold compared to a fall of 8,900 alcohol related hospital admissions per annum for a £0.50 price threshold. In Lanarkshire alone this equates to a reduction of 367 hospital admissions and 907 hospital admissions respectively.

This report also notes that most of the prevented deaths over a ten year timeframe occur in harmful drinkers, while the majority of health related harms are reduced in middle or older age groups who are at significant risk of developing and potentially dying from chronic disease. The Sheffield Report concludes that as the minimum price threshold increases, healthcare costs are reduced. At a national level, health and social care costs will be reduced by approximately £60m for the £0.40 price threshold and £160m for the £0.50 price threshold over a ten year period. In Lanarkshire this equates to £6.1m and £16.3m savings in health and social care costs respectively.

Q2 Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes, these are clearly laid out and are primarily based on the work of the Sheffield Report (2009) referred to earlier.

Q3 Did you have sufficient time to contribute to the consultation exercise?


Yes, NHS Lanarkshire has been able to facilitate discussion with key stakeholders including the full membership of the Alcohol and Drug Partnership (ADP). Responses to the Bill have already been submitted on behalf of the NHS Board and the ADP.

2.2 Costs

Q4 If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Yes the financial Memorandum incorporates the modelling carried out by the Sheffield Report (2009), referred to earlier which estimated that Alcohol misuse costs the National Health Service (NHS) £405m each year. Health harms are estimated to reduce by up to £88m in the first year, and by between £12m and £2,211m over 10 years. Financial considerations for NHS Lanarkshire are incorporated in our response to Q1.

The significant variation in these figures reflect the modelling of 21 separate scenarios conducted by the University of Sheffield. These modelling scenarios incorporate the estimated impact on reduction to health harms based on minimum price thresholds which range from £0.25 to £0.70 per unit of alcohol and the estimated effects of including a discount ban. Financial implications for NHS Lanarkshire are incorporated in Q1.

Q5 Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

The economic evaluation as set out in the Sheffield Report (2009) clearly indicates that the Bill will reduce costs to the NHS as set out in our response to Q1 and Q4. Other considerations are that as with Smoking legislation, the Bill may encourage more people to consider making lifestyle changes in respect of their alcohol consumption. Many will seek support in effecting this change through NHS services. It is our view, that the additional alcohol funding made available through the Scottish Government, will enable increased capacity to timeously support people wishing to review drinking behaviour.

Q6 Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Yes, the financial Memorandum provides an accurate reflection of these margins.

2.3 Wider Issues

Q7 If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?
Yes, the financial Memorandum clearly sets out where a Regulatory Impact Assessment (RIA) was required. There were 3 topics within the Bill that carry a significant financial impact. For the purposes of the financial memorandum, a significant financial impact was defined as a topic having a financial impact of over £0.4m per annum once implemented:–

- introduction of a minimum price for a unit of alcohol (sections 1 and 2 of the Bill);
- introduction of a restriction for off-sales on supply of alcoholic drinks free of charge or at a reduced price (section 3 of the Bill);
- provision in respect of sale of alcohol to under 21s (section 8 of the Bill).

Chapter 1 of the Financial Memorandum draws out from the Bill and details the financial impact of these 3 topics with a significant financial impact, while Chapter 2 presents the financial impact of the remaining provisions of the Bill (i.e. those that do not have a significant financial impact). These include the restriction of the location of drinks promotions in off-sales premises (section 4 of the Bill) and a requirement for licence holders to operate an age verification policy (section 5 of the Bill).

The detail of the social responsibility levy was not included as it is currently being developed in conjunction with stakeholders so it was not possible to gauge the financial impact at this stage. The Financial Memorandum notes that a specific RIA will accompany any regulations that set out the detail of a social responsibility levy.

Q8 Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

At this stage NHS Lanarkshire is unable to quantify these costs, although anticipate that there will be no direct financial implications for the organisation which put a strain on current resources.
SUBMISSION FROM THE NHS LOTHIAN

Consultation

17. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes, NHS Lothian did take part in the consultation but it did not comment on the financial assumptions made.

18. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Not applicable

19. Did you have sufficient time to contribute to the consultation exercise?

Yes

Costs

20. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

The main financial implication of the Alcohol Bill for NHS Lothian, taken as part of the wider population approach to tackling Scotland’s alcohol problem, is a potential reduction in alcohol related ill-health. The Sheffield Study estimated the potential financial savings which may result from different pricings.¹ Currently it is estimated that alcohol misuse costs the NHS in Scotland £405m per year.

21. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Not applicable. The Bill does not impose any immediate additional costs on NHS Lothian.

22. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Not applicable

Wider Issues

¹ Meier P et al. Model-Based Appraisal of Alcohol Minimum Pricing and Off-Licensed Trade Discount Bans in Scotland: A Scottish adaptation of the Sheffield Alcohol Policy Model version 2. School of Health and related Research, University of Sheffield, September 2009
23. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

The wider policy initiative of the Scottish Government is being evaluated by NHS Health Scotland in a series of evaluation questions.

24. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

Section 10 of the Bill gives the Scottish Ministers a power through regulations to impose a charge on certain holders of licences under the 2005 Act and the Civic Government (Scotland) Act 1982. Money raised by the charge will be for local authorities to use in contributing towards the costs of dealing with the adverse effects of the operation of these businesses, for example extra policing or street cleaning or in furthering the licensing objectives listed in section 4 of the 2005 Act. A levy that funds interventions such as the care of drunk and incapable people who do not require medical input may be of benefit to the NHS. Models of caring for people in this situation vary considerably and the relative effectiveness of each model has not been established. Models also have to address the particular circumstances of the city or town so quantification of these costs for the whole of Scotland would be difficult at the present time.

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2 Griesbach D et al. Managing the care needs of drunk and incapable people: a literature review and needs assessment Scottish Government November 2009 [accessed 26/01/10](http://www.scotland.gov.uk/Publications/2009/10/29154403/0)
INTRODUCTION

1. The Scottish Parliamentary Commissions and Commissioners etc. Bill is a committee bill, introduced in the Parliament on 27 January by Trish Godman MSP on behalf of the Review of SPCB Supported Bodies Committee. This paper invites the Committee to determine its approach to considering the Financial Memorandum (FM) for the Bill.

2. At stage 1, committee bills are not referred to a lead committee. Therefore, the Finance Committee’s report on the FM will be to the Parliament rather than to a lead committee as is normally the case.

THE FINANCIAL MEMORANDUM

3. The FM sets out costs associated with the Bill under three headings (the provisions in schedules 4-6 are not expected to give rise to any costs):
   a) creation of the commission for ethical standards in public life in Scotland;
   b) the Standards Commission for Scotland; and
   c) amendments to the Scottish Public Services Ombudsman Act 2002.

4. The FM contains detailed figures and assumptions in various areas. This paper does not attempt to replicate these figures, rather, it sets out the main areas of cost arising from the Bill.

Creation of the Commission for ethical standards in public life

5. The Bill will establish a new commission for ethical standards in public life in Scotland, bringing together the functions of three existing officeholders:
   - the Scottish Parliamentary Standards Commissioner;
   - the Chief Investigating Officer; and
   - the Commissioner for Public Appointments in Scotland.

6. The first two posts above will be combined and renamed, while the third post will also be renamed – the net result being two commissioners within the new commission.

7. This section of the Financial Memorandum primarily discusses savings that will or could arise from the Bill, but there are also (paragraph 301) estimated “transitional costs” of £48,000 arising for the new commission in relation to, for example, removal and furnishing costs including IT and other
support systems. All transitional costs are to be met from “contingency funding”.

The Standards Commission for Scotland

8. The Bill transfers sponsorship of the Standards Commission for Scotland from the Scottish Government to the SPCB which will result in a corresponding transfer of budget. No other immediate costs or savings arise.

9. There will be appointment costs for the members of the Standards Commission. The FM (paragraph 305) states that “an appropriate financial transfer will be sought when the next round of appointments arises, expected in 2013/14”.

Amendments to the Scottish Public Services Ombudsman Act 2002

10. The main costs arising from this part of the Bill relate to the transfer of the Scottish Prisons Complaints Commission’s functions to the Scottish Public Services Ombudsman (SPSO), thereby putting them on a statutory footing.

11. The following costs will arise for the SPSO in 2010/11 (paragraph 309):

- £25,300 for management to oversee the transition;
- £22,175 for “other costs”;
- £10,000 for changes required to incorporate details of the new functions on the Ombudsman’s website and to transfer existing data; and
- £4,000 for start up costs relating to training and hardware.

12. This part of the FM also sets out savings that are likely to arise from the transfer, amounting to approximately £374,000 over the next three years.

Costs arising from the Bill

13. Paragraphs 319-324 of the FM summarise the costs and savings arising from the Bill. Paragraph 324 mentions start up costs of £14,000 arising from the transfer of prison complaints to the ombudsman, although it is not clear how this figure relates to the more detailed figures on the transfer as set out in paragraph 11 above.

14. In terms of where costs arising from the Bill will fall, this will basically entail a transfer of resources from the Scottish Government to the SPCB for funding for the Chief Investigating Officer, the Standards Commission and to cover the transitional costs mentioned in the FM.

15. There are no anticipated costs on local authorities or on other bodies, individuals and businesses.
Conclusion

16. While the Financial Memorandum sets out relatively low costs arising from the Bill – and highlights a number of savings – it is suggested that the Committee may wish to adopt level 2 scrutiny in relation to the Financial Memorandum, to be consistent with its scrutiny of previous committee and members' bills. In other words, the Committee would seek written evidence from certain organisations mentioned in the FM and take oral evidence from the member in charge before producing a report to the Parliament.

17. It is suggested that the Committee seeks written evidence from the:

- Scottish Public Services Ombudsman
- Scottish Parliamentary Standards Commissioner
- Commissioner for Public Appointments in Scotland
- Chief Investigating Officer
- Scottish Prisons Complains Commission
- Scottish Government

18. The Committee is invited to consider and agree its approach to the Financial Memorandum.

Terry Shevlin
Senior Assistant Clerk to the Committee