

Report of	Meeting	Date
Director of People and Places	Licensing and Public Safety Committee	19 March 2014

BELOW COST SALES OF ALCOHOL – ENFORCEMENT APPROACH

PURPOSE OF REPORT

1. To advise Members of the recent guidance published by the Home Office on the banning of the sale of alcohol below the cost of duty plus VAT (below cost sales).
2. To seek Members approval for a proposed enforcement approach to this issue

RECOMMENDATION(S)

3. Members are requested to note the report and published guidance.
4. Members are requested to approve a reactive approach to the enforcement of the below cost sales of alcohol

EXECUTIVE SUMMARY OF REPORT

5. The issue of alcohol pricing has been the subject of much debate in the media and between Government, industry, enforcement agencies and health specialists.
6. The debate revolves around the impact that price control on alcohol sales could have on consumption of alcohol and in turn any resultant improved health outcomes for citizens who consume alcohol above the recommend daily intake.
7. In addition it is believed that the effective price control of alcohol could impact on wider issues such as violence related to alcohol consumption; under aged alcohol consumption and acute illness related to high levels of alcohol consumption.
8. The health lobby believes that a minimum unit price (MUP) for alcohol would have the greatest effect.
9. The Government published an Alcohol Strategy in March 2012 which determined that MUP would be a key part of tackling the availability of cheap alcohol. However following consultation on the strategy, in July 2013 the Government revised its approach in terms of price control to a 'below cost' approach.
10. The below cost approach essentially bans the sale of alcohol at a price which falls below the cost of that alcohol in terms of excise duty plus VAT. Appendix 1 to this report details the guidance to suppliers and enforcers in terms of this approach.
11. The Government has indicated the below cost ban will come into effect in early April 2014 and have identified Licensing Authorities, Police and Trading Standards as the agencies who will enforce the ban.

12. In addition the introduction of a 'below cost' ban will become a Mandatory Condition on all licences issued in relation to the sale of alcohol. Members will recall that there are already several such mandatory conditions relating to alcohol sales as follows:
- Ban irresponsible promotions;
 - Ban the dispensing of alcohol directly into the mouth; and
 - Ensure that customers have access to free tap water so that they can space out their drinks and not get too intoxicated too quickly.
 - Require an age verification policy to be in place to prevent underage sales; and
 - Ensure that customers have the opportunity to choose small measures of beers, ciders, spirits and wine.
13. It is proposed that the Council takes a reactive approach to enforcement of the below cost ban, ensuring that we liaise with police and trading standards partners and rely on public intelligence relating to sales of alcohol that contravene the ban.
14. Taking a proactive approach is thought not to be cost effective. It is anticipated that the vast majority of alcohol sales will not contravene the below cost ban given current duty and VAT rates.
15. However should the position alter, and a proactive approach is determined to be effective Members will be informed and a report relating to the resource implications will be put before Members at that time.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

16. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities	√	An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

17. The Governments 'Alcohol Strategy' was published in March 2012 and determined that the cheap availability of alcohol was an issue that need addressing.
18. Following wide consultation on the strategy and in relation to the availability of low cost alcohol, the Government have determined that a ban on selling alcohol below the combined cost of excise duty and VAT should come into effect from April 2014.
19. The Home Office have published guidance on the detail of a 'below cost' ban for suppliers of alcohol and enforcement agencies and the guidance is appended as Appendix 1 to this report.
20. Member's attention is directed to Annex B in the guidance which provides examples of permitted prices of various alcohol drinks at current rates of duty and VAT.
21. For example the sale of a pint of lager (5.0% Alc) would contravene the ban if it was sold below a price of £0.66p

22. Similarly a 2 litre bottle of high alcohol still cider would contravene the ban if it was sold under the price of £1.43.
23. In contrast to the original Government proposal of a minimum unit pricing (MUP) approach, Members will see that it is unlikely that sales of alcohol at a below cost level will occur.
24. For comparison if a MUP approach had been taken and the MUP was set at say £0.45p it could be anticipated that the minimum price of a pint of lager would be £0.90p assuming a pint of lager constituted two units.
25. Similarly in the bottle of cider example, the MUP for a 2 litre bottle would have been around £3.15.
26. The below cost ban will become a Mandatory Condition on all premises licence relating to the sale of alcohol, and the responsibility will fall on the licence holder, the designated premises supervisor or personal licence holder to ensure they price their alcohol sales above the permitted price levels
27. In terms of enforcement and given the examples provided above it is thought that sales of alcohol in contravention of the ban are likely to be extremely low. Therefore it is proposed to adopt a reactive approach utilising our existing arrangements with the police and trading standards partners to identify where contraventions are occurring and rely on public intelligence to report concerns so that limited resources can be targeted at high risk premises in terms of below cost sales.

IMPLICATIONS OF REPORT

28. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal	√	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

29. The contents of this report do not contain any financial implications for the Council's budget.

COMMENTS OF THE MONITORING OFFICER

30. The report states the proposed changes to the legislation and outlines an appropriate response to those changes.

JAMIE CARSON
DIRECTOR OF PEOPLE AND PLACES

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Simon Clark	5732	24 February 2014	LPS below cost sales