Dear Christine

ALCOHOL ETC. (SCOTLAND) BILL – Stage 1

1. During my evidence session at the Health and Sport Committee meeting on 5 May, I undertook to provide further information on various issues. This letter responds to these issues in turn.

Social Responsibility Levy

2. Section 10 of the Bill is an enabling provision. The section gives the Scottish Ministers power to make regulations making provision for the imposition of a social responsibility levy.

3. The social responsibility levy can only be imposed on holders of certain licences under the Licensing (Scotland) Act 2005 and the Civic Government (Scotland) Act 1982 which are specified in section 10(2). The levy may be imposed on all holders of such licences within a local authority area or only on some.

4. The regulations can only make provision for a social responsibility levy for the purpose of meeting or contributing to local authority expenditure:

   (a) in furtherance of the licensing objectives specified in section 4 of the Licensing (Scotland) Act 2005; and
(b) which the authority considers necessary or desirable to remedy or mitigate any adverse impact on those objectives attributable to the licence-holders on whom the levy can be imposed.

5. Section 10(3) makes it clear that the levy can only be used for the purpose of local authority expenditure, regardless of who determines the levy or how it is determined.

6. Section 10(4) sets out a non-exhaustive list of matters that the social responsibility levy regulations may provide for. Section 10(4)(k) provides that the regulations may confer functions on local authorities in relation to the determination, administration, collection and enforcement of charges. However, this does not mean that the regulations must require local authorities to determine matters in relation to the social responsibility levy either in full or part since they could be determined by Ministers in the Regulations.

7. The subject matter of taxation is generally reserved and so outwith the competence of the Scottish Parliament by virtue of section A1 of Schedule 5 to the Scotland Act 1998. However, local taxes to fund local authority expenditure are excepted from the taxation reservation. The exception refers to council tax and non-domestic rates as examples of such taxes. In relation to non-domestic rates the poundage rate is determined by the Scottish Ministers but these are administered by local authorities.

8. The social responsibility levy will fund local authority expenditure. The intention is that local authorities will administer and collect the social responsibility levy. It is still to be decided as to how the rate of the social responsibility levy will be determined and who will determine it. Section 10(3) makes it clear that the social responsibility levy will be a local tax to fund local authority expenditure and so within competence.

9. The social responsibility levy regulations could require that the social responsibility levy be imposed by a local authority. However, section 10 does not provide that it must be for a local authority to decide whether to impose such a levy.

10. Section 11(1)(a) of the Bill expressly provides that the social responsibility levy regulations may make different provision for different areas. This means that the levy could be determined differently in different local authority areas or in different areas within a local authority area. Section 10(4)(a) and (b) would enable the social responsibility levy regulations to provide for the levy to be determined differently for different licence-holders and so the determination of the levy could take account of the differing circumstances of licence-holders.

Professor Ludbrook’s paper on Purchasing Patterns for Low Price Off Sales Alcohol

11. Dr Richard Simpson made comments regarding expenditure on “cheap” alcohol disaggregated by income from Professor Ludbrook’s report on Purchasing Patterns for Low Price Off Sales Alcohol. Figure 1 on page 5 of the report to which Dr Simpson alluded is not expressed in percentage terms but rather shows the number of units purchased at particular price band, by each income group. It is possible, as Dr Simpson
has done, to extrapolate from the figure and estimate the percentage of each income
group’s spend that can be attributed to each price band.

12. Table 2, on page 4 of the report (reproduced here), should be taken into account
when considering the relative percentage of spend attributable to each price band. This
shows that a much lower percentage of those in the 2 lowest income bands
purchase any alcohol than those in higher income groups.

Table 2  Descriptive data for equivalised household income deciles

<table>
<thead>
<tr>
<th>Decile</th>
<th>Number of households</th>
<th>Income boundaries £</th>
<th>Average number of adults</th>
<th>Number (%) of households purchasing alcohol</th>
<th>Number of observations for purchases of 4 main types of alcohol</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>621</td>
<td>Below 190</td>
<td>1.5</td>
<td>208 (33%)</td>
<td>260</td>
</tr>
<tr>
<td>2</td>
<td>619</td>
<td>190-256</td>
<td>1.6</td>
<td>233 (38%)</td>
<td>284</td>
</tr>
<tr>
<td>3</td>
<td>646</td>
<td>256-334</td>
<td>1.7</td>
<td>267 (41%)</td>
<td>339</td>
</tr>
<tr>
<td>4</td>
<td>635</td>
<td>334-409</td>
<td>1.9</td>
<td>316 (50%)</td>
<td>422</td>
</tr>
<tr>
<td>5</td>
<td>613</td>
<td>409-492</td>
<td>1.9</td>
<td>324 (53%)</td>
<td>429</td>
</tr>
<tr>
<td>6</td>
<td>620</td>
<td>492-587</td>
<td>2.0</td>
<td>342 (55%)</td>
<td>487</td>
</tr>
<tr>
<td>7</td>
<td>614</td>
<td>587-698</td>
<td>2.0</td>
<td>393 (64%)</td>
<td>572</td>
</tr>
<tr>
<td>8</td>
<td>607</td>
<td>698-866</td>
<td>2.0</td>
<td>375 (62%)</td>
<td>541</td>
</tr>
<tr>
<td>9</td>
<td>596</td>
<td>866-1162</td>
<td>1.9</td>
<td>399 (67%)</td>
<td>578</td>
</tr>
<tr>
<td>10</td>
<td>565</td>
<td>Over 1162</td>
<td>1.8</td>
<td>393 (70%)</td>
<td>579</td>
</tr>
<tr>
<td></td>
<td>6136</td>
<td></td>
<td></td>
<td>3250</td>
<td></td>
</tr>
</tbody>
</table>

13. While Dr. Simpson is correct that a relatively high percentage of the alcohol
bought by those with the lowest income is priced at under 40p (around 65% and 60%
for income deciles 1 and 2 respectively), this does not take into account the wider
purchasing patterns across income groups.

14. It should be noted that those in decile 3 purchase around 70% of their off sales
alcohol at below 40p and in decile 4, it is 60%. Only in the very highest income decile is
the amount of alcohol bought “cheaply”, (i.e. at below 40p) less than 40% of alcohol
purchases. As table 2 shows, less than 40% of the 2 lowest income purchased alcohol
compared to over 60% for deciles 7 to 10. When the propensity to purchase alcohol is
factored into the analysis (as in Professor Ludbrook’s paper) a more accurate picture of
purchasing patterns emerges.

15. Figures 2 and 3 from Professor Ludbrook’s paper, reproduced here for ease of
reference, demonstrate that lowest 2 income groups buy less alcohol under 40p per unit
than any other income group bar decile 10.
16. This suggests that the poorest groups will not be disproportionately affected by any rise in price due to a ban on discounts and/or a minimum price. Indeed, it is those within the middle and higher income brackets that purchase most cheap alcohol.

17. This analysis also has to be considered in the context of the health harms which I outlined to the committee. Analysis of Scottish Health Survey (2008) and mortality and morbidity data has shown that:

- Low income drinkers are most likely to drink nothing, very little or very heavily.
- The 23% of the lowest income quintile who don't drink at all will not be affected by minimum pricing.
- 57% of the lowest income quintile drink moderately. They tend to drink at very low levels - averaging 4.9 units per week - and therefore will be only slightly affected by minimum pricing.
While average consumption among the 6% of the population who drink at harmful levels is 71 units per week, those in the lowest income quintile drink considerably more with an average of 86 units per week. This is significantly higher that the average of 60 units per week among drinkers with the highest household incomes.

Low income harmful drinkers tend to drink more and are much more likely to be admitted to hospital or to die from an alcohol related cause. They should, therefore, benefit from the greatest reduction in health harms.

Alcohol related admissions are more common in deprived areas than in areas of low deprivation. In 2007 adults aged under 75 years in the most deprived decile were 5.5 times more likely to be admitted to hospital (as a new case) with an alcohol related condition than those in the least deprived decile. In 2007, adults aged 45-74 years in the most deprived decile were 13.5 times more likely to die from an alcohol related condition than those in the least deprived decile.

18. In conclusion:

- Fewer individuals in low income groups drink any alcohol. But if they do, they are more likely to drink heavily.
- A substantial proportion of the alcohol bought by those on the lowest income is “cheap” – but that is common to all income groups apart from the top 10%. Indeed, when propensity to purchase alcohol is taken into account the lowest groups are among the least likely to buy cheap alcohol.
- They are the group who experience the highest probability of alcohol related health harms and/or death.

Cross border sales

19. Cross border sales of alcohol in Finland was mentioned at the Committee meeting and I would like to draw the Committee’s attention to an article Alcohol Consumption before and after a Significant Reduction of Alcohol Prices in 2004 in Finland: Were the effects Different across Population Subgroups?. I attach a copy at Annex A.

20. Information regarding cross border sales between Northern Ireland and Ireland was also mentioned at the Committee meeting and I understand the Committee wishes further information on this. I attach a copy at Annex A.
Revised financial information in relation to minimum pricing

21. I understand from the Committee clerks that Standing Orders prevent us publishing a revised financial memorandum at this stage, however the paper attached at Annex B contains the same information updated to take into account the updated Sheffield modelling (as published on 22 April 2010).

I trust this reply addresses the issues raised by the Committee at last week’s meeting.

Best Wishes

NICOLA STURGEON