

Annex A: Welsh Government Response to the Recommendations from the Finance Committee regarding the Public Health (Minimum Price for Alcohol) (Wales) Bill.

On 28 February 2018, the Finance Committee published their report on the financial implications of the Public Health (Minimum Price for Alcohol) (Wales) Bill. This provides the Welsh Government's response to each of the recommendations included in that report.

The General Principles of the Bill were agreed by the National Assembly on 13 March.

Recommendation 1: The Finance Committee expects the revised Explanatory Memorandum published after the Bill is amended during Stage 2 to reflect the changes to the expected costs and benefits of introducing the Bill as a consequence of the updated modelling. The Committee recommends that this be done before the deadline for tabling amendments during Stage 3.

Welsh Government response:

I can confirm that the Explanatory Memorandum and Regulatory Impact Assessment (RIA) for the Bill will be revised to reflect the latest analysis undertaken by the Sheffield Alcohol Research Group *in its Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales*. The updated Explanatory Memorandum and RIA will be laid before the National Assembly, in accordance with its Standing Orders.

Financial Implications

There are no financial implications to accepting this recommendation.

Recommendation 2: The Committee recognises that the decision on the level to set a MUP will have an impact on trading standards, and recommends that the Welsh Government continue its discussions with trading standards representatives to ensure that the resources allocated for the enforcement of the Bill are available to local authorities in the most effective way.

Welsh Government response:

I am happy to accept this recommendation. We are continuing to work very closely with the Welsh Heads of Trading Standards regarding inspection and enforcement activities associated with the Bill.

Following representations from the Welsh Heads of Trading Standards and a consideration of their proposals, I have recently agreed to allocate £300,000 for inspection and enforcement activity in the first three years of implementing the legislation. The Welsh Heads of Trading Standards have proposed that this funding should be broken down as follows: £200,800 in Year 1; £49,600 in Year 2; and £49,600 in Year 3. I have agreed to this approach and the associated funding allocations as it will ensure we have the most effective inspection regime in place and can target enforcement at the right time in the implementation of the legislation.

Financial Implications

The financial implications of accepting this recommendation will be managed within the existing budget allocated for this legislation over the existing budget planning period as set out above. Any additional costs outside the current budget planning period will be incorporated into future budget plans.

Recommendation 3: The Committee recommends that the Welsh Government negotiates with HM Treasury about the impact of a potential reduction in revenue from alcohol sales. It would expect a resolution on the impact on the Fiscal Framework to be in place before the Assembly's final vote on the Bill at Stage 4.

Welsh Government response:

Officials from the Welsh Treasury have already discussed the Bill with officials from Her Majesty's Treasury, within the context of the funding arrangements set out in the Statement of Funding Policy and Fiscal Framework. We do not expect the introduction of a Minimum Unit Price (MUP) to have any impact on the fiscal framework negotiated with the UK Government in 2016, which is currently concerned with the operation of the fiscal powers devolved to Wales in the Wales Act 2014.

The most recent analysis by the University of Sheffield's Alcohol Research Group on the impacts of MUP in Wales notes that all MUP policies are estimated to reduce the total tax take from alcohol duties, with these losses increasing more quickly at MUP levels above an MUP of 55 pence. As an example, the annual revenue to the exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.4% or £1.9million, if the MUP is specified at 50 pence. For a 55 pence MUP, the annual revenue to the exchequer is estimated to fall by £2.1million and for a 60 pence MUP, it would be a fall of £3 million.

However, the RIA for the Bill also estimates introducing an MUP would be effective in reducing alcohol consumption, alcohol-related harm (including alcohol-related

deaths, hospitalisation, crimes and workplace absences) and the costs associated with those harms. A reduction in the cost of crime would generate financial benefits to the UK Government.

The RIA is being updated to reflect the new analysis from the University of Sheffield.

Financial Implications

There are no financial implications to accepting this recommendation as we do not expect the introduction of an MUP to have any impact on the fiscal framework negotiated with the UK Government in 2016.

Recommendation 4: The Committee recommends that the Welsh Government considers how a voluntary levy could be placed upon large retailers where a proportion of the additional income it receives as a result of introducing a MUP be directed to a fund to be used for public health purposes. The amount of money paid by each retailer should be made public.

Welsh Government response:

Whilst I agree to consider this issue, due consideration can only take place once the legislation has been implemented. This legislation is novel and innovative. Consequently, there are acknowledged uncertainties including around any potential increase in revenue for retailers and where in the supply chain these might fall.

We will continue to engage with the industry regarding the potential for voluntary action.

Financial Implications

The financial implications of accepting the principle of this recommendation will be managed within the existing budget allocated for this legislation over the existing budget planning period. Any additional costs outside the current budget planning period will be incorporated into future budget plans.

Recommendation 5: The Committee recommends that regulations relating to setting the level of MUP are subject to a super affirmative procedure, and should be accompanied by a robust financial assessment.

Welsh Government response:

Given its impact on stakeholders and the wider public, we consider it appropriate that the MUP will not be specified or amended without full consideration and the opportunity for debate in the National Assembly. The Welsh Government is content that the affirmative procedure provides that opportunity and is appropriate.

Should the legislation be passed by the National Assembly, there will be a consultation on the MUP the Welsh Government is proposing to specify.

An RIA will be published alongside the regulations which will specify the MUP for the purposes of the Bill. The RIA will include a robust financial assessment of the impacts of the level of the proposed MUP, based on recent analysis carried out by the University of Sheffield's Alcohol Research Group and any other, relevant factors.

In addition, there are other safeguards which have been built into the proposed minimum pricing regime here in Wales.

The introduction of a minimum price has already been the subject of two consultations here in Wales. Firstly, as part of the Public Health White Paper in 2014 and subsequently and more specifically there was an extended period of consultation on the draft Public Health (Minimum Price for Alcohol) (Wales) Bill in 2015.

Furthermore, the Bill commits the Welsh Ministers to publishing a report on the operation and effect of the minimum pricing regime after five years and provides for the legislation to be repealed after a period of six years unless the Welsh Ministers, with the approval of the Assembly, actively decide to continue it.