

Highland Licensing Board

Meeting – 25 June 2024

Agenda Item	7
Report No	HLB/57/24

Highland Licensing Board Financial Report 2023-24

Report by the Clerk to the Licensing Board

Summary

This Report invites the Board to approve the Board's seventh annual Financial Report for publication in accordance with section 9B of the Licensing (Scotland) Act 2005.

1. Background

- 1.1 The Air Weapons and Licensing (Scotland) Act 2015 amended the Licensing (Scotland) Act 2005 (the "2005 Act") to introduce a requirement that Licensing Boards produce and publish annual financial reports.
- 1.2 The Board's annual financial report must be prepared and published not later than 3 months after the end of each financial year. This means that the Board's report for the financial year 2023-24 must be published by no later than the end of June 2024.
- 1.4 The financial report must include-
 - (a) a statement of-
 - (i) the amount of relevant income received by the Licensing Board during the financial year, and
 - (ii) the amount of relevant expenditure incurred in respect of the Board's area during the year, and
 - (b) an explanation of how the amounts in the statement were calculated.
- 1.5 In this context, "relevant income" means income received by the Board in connection with the exercise of the Board's functions under or by virtue of the 2005 Act. This involves a relatively straightforward tally of all of the fee income generated by 2005 Act licence applications received in the course of the financial year.
- 1.6 "Relevant expenditure" means any expenditure-
 - (a) which is attributable to the exercise of the Board's functions under or by virtue of the 2005 Act, and

(b) which is incurred by the Board, the Council or the Licensing Standards Officers for the Board's area.

- 1.7 Calculation of relevant expenditure is a less straightforward exercise and of necessity involves producing a number of figures based on allocations and estimations.
- 1.8 For example, the calculation of direct staff costs involves estimating the time which licensing staff spend dealing with 2005 Act licence applications (as opposed to time they spend on dealing with other types of licence applications) in the relevant financial year and estimating other staff time spent in supporting the Board in that financial year.
- 1.9 Further difficulty arises in calculating indirect expenditure specifically incurred by the Council in supporting the Board's functions under the 2005 Act. This includes expenditure such as the cost of ICT, accommodation, financial services support, corporate communications support and Service Point involvement. The Council's internal accounting system for licensing expenditure (particularly indirect expenditure) is not set up to separately record expenditure in connection with the Board's functions under the 2005 Act so as to distinguish it from all other direct or indirect expenditure in connection with the Board's and the Council's various other licensing functions under other legislation.
- 1.10 Despite the inherent difficulties involved, a calculation of relevant income and expenditure for the financial year 2023-24 now been prepared by the Council's Finance service and is set out in the draft Financial Report 2023-24 attached as **Appendix 1**.
- 1.11 However, for the reasons given above, the Financial Report relies on best estimates and should not be read as a precise statement of income and expenditure relative to the exercise of the Highland Licensing Board's functions under the Licensing (Scotland) Act 2005 for the financial year 2023-24.
- 1.12 The purpose of these financial reports is primarily to ensure greater transparency in Boards' financial affairs. However, Scottish Government have advised that they also intend using these reports over the next few years to inform a review of the 2005 Act licence fees fixed in The Licensing (Fees) (Scotland) Regulations 2007 (the "Regulations"). These Regulations have not been updated since coming into effect in February 2008.
- 1.13 Depending on the type of licence application, the Regulations currently set either fixed fees or a maximum cap on the fees which can be charged. The fees which Boards' have discretion to fix (subject to the maximum cap set in the Regulations) are the fees for applications for new premises licences and major variations to existing premises licences and the annual fee payable in respect of granted premises licences.
- 1.14 In Highland, some of these discretionary fees are currently set below the maximum permitted in the Regulations but at a level which, as far as can be predicted, will ensure full cost recovery.

- 1.15 The legislation provides that, in determining these discretionary fees, Boards must have regard to the desirability of ensuring that the total fees payable to the Board under the 2005 Act in respect of any period are likely to be broadly equivalent to the expenses incurred by the Board, and the Council, in administering the 2005 Act generally during that period.
- 1.16 It is probable therefore that Scottish Government anticipate that Licensing Board's themselves will be able to use their own annual financial reports to assist them in meeting this statutory duty by helping to identify any need to adjust the discretionary fees to either further below, or further towards, the statutory maximum.
- 1.17 However, in addition to the difficulties explained above in producing precise figures for expenditure associated with the Board's functions, compliance with the statutory duty is made all the more complex by the fact that income each year can vary significantly depending on the number and type of licence applications received. It is not possible to accurately forecast application numbers and resultant fee income when fixing the discretionary fees. Consequently, there is likely always to be a disparity between income and expenditure at the end of each financial year.
- 1.18 Moreover, an assessment of compliance with the statutory duty based on financial reports over the next few years has been further complicated by the need to assess the effects of the recent changes to the rateable values of various licensed premises. These changes in rateable values will likely affect fee income in this financial year and beyond, as all fees chargeable for applications for premises licences and major variations thereto, and the annual fees chargeable for existing premises licences, are based upon the rateable value of the premises.

Recommendation

The Board is invited to approve the draft Financial Report 2023-24 attached at Appendix 1 for publication in accordance with section 9B of the 2005 Act, with the caveat contained therein that it is not to be relied upon as a precise statement of income and expenditure in that financial year.

Date: 11 June 2024

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Appendices: Appendix 1 – Draft Annual Financial Report 2022-23
Appendix 2 – Table of current fees charged

Background Papers: Licensing (Scotland) Act 2005
The Licensing (Fees) (Scotland) Regulations 2007

	£	£
Income		
Premises Licence	-17,876	17,876
Provisional Premises Licence	-4,400	4,400
Temporary Premises License	0	0
Annual fees	-408,147	408,147
Transfers	-15,554	15,554
Minor Variations	-7,835	7,835
Major Variations	-27,397	27,397
Extended Hours & Occasional	-24,177	24,177
Personal Licence	-28,733	28,733
Other	3,118	-3,118
Total Income	-531,000	531,000
Direct Staff costs		
Licensing Standards Officers	133,927	133,927
Legal Services	62,178	62,178
Administrative Support	169,804	169,804
Management	3,748	3,748
Councillors	0	0
Direct Staff costs Total	369,657	369,657
Other Direct Costs:		
Training & Development	0	0
Stationery and postages	2,445	2,445
Supplies and Services	5,178	5,178
Catering and subsistence	1,355	1,355
Travel Costs	4,453	4,453
Legal Expenses	0	0
Total Other Direct Costs:	13,430	13,430
Indirect Costs:		
ICT	15,218	15,218
Accommodation	26,939	26,939
Financial Services	4,614	4,614
Media	10,772	10,772
Service Points	29,405	29,405
Other Support Costs	0	0
Total Indirect Costs:	86,949	86,949
Total Costs:	470,036	470,036
Net Income	-60,964	60,964

**HIGHLAND LICENSING BOARD
LICENSING (SCOTLAND) ACT 2005
APPLICATION FEES FROM 31 AUGUST 2014**

A.	<ul style="list-style-type: none"> • GRANT OF PREMISES LICENCE • ANNUAL PREMISES FEE • MAJOR VARIATION
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CATEGORY	RATEABLE VALUE OF PREMISES		APPLICATION FEES		
			GRANT OF PREMISES LICENCE	ANNUAL FEE (DUE 1 OCTOBER)	MAJOR VARIATION
1	<ul style="list-style-type: none"> • Premises Rated at Nil • Premises not shown in the valuation roll • Visitor Attractions • Clubs • Private Accommodation 		£200	£157	£72 £360 (with balance payable or refundable when rateable value known) £72 £72 £72
2	£1 -	£11,500	£800	£192	£288
3	£11,501 -	£35,000	£1,100	£245	£396
4	£35,001 -	£70,000	£1,300	£438	£469
5	£70,001 -	£140,000	£1,700	£613	£613
6	£140,001 -	and above	£2,000	£788	£721

B. PROVISIONAL PREMISES LICENCE			
TYPE OF APPLICATION		APPLICATION SECTION	APPLICATION FEE
Provisional Premises Licence		Section 45	£200
Confirmation of Provisional Premises Licence		Section 46	Grant of Premises Licence fee, less £200 paid for <i>Provisional</i> Premises Licence Application.

C. TRANSFERS/SUBSTITUTION			
TYPE OF APPLICATION		APPLICATION SECTION	APPLICATION FEE
Transfer by Licence Holder ¹		Section 33	£283
Transfer by person other than the Licence Holder ¹		Section 34	£283
Variation to Substitute Premises Manager		Section 31	£31

D. MISCELLANEOUS APPLICATIONS			
TYPE OF APPLICATION		APPLICATION SECTION	APPLICATION FEE
Occasional Licence		Section 56	£10
Extended Hours		Section 68	£10
Personal Licence		Section 72	£50
Replacement/Amendment to Personal Licence		Section 92	£11
Replacement Premises Licence		Section 55	£22
Minor Variation		Section 29	£20
Temporary Premises Licence		Section 47	£257

INTEGRA FINANCIAL REFERENCE : 10-31102-000/KC-4104

¹ Where a variation is sought with a transfer the fee will be aggregate of the transfer and variation fee