**Title: User Fees and Charges Issues and Options – Alcohol Licensing**

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## BACKGROUND

1. Current application and annual fees for alcohol licences are prescribed in legislation (Sale and Supply of Alcohol (Fees) Regulations 2013) and have remained unchanged since their inception.

2. Legislation enables territorial authorities to set their own fee structures through a bylaw. Tauranga City Council adopted the Alcohol Fees Bylaw in April 2025; however, decisions on the actual fee levels are still yet to be made. Several other councils across New Zealand have also implemented similar bylaws and established their own fees. It is important to note that fees for manager certificate applications which are the highest volume of applications, cannot be increased under a bylaw.

3. These fees were set to ensure that, so far as is practicable, the costs incurred by territorial authorities and the Alcohol Regulatory and Licensing Authority (ARLA) relating to licensing and other matters under the Sale and Supply of Alcohol Act 2012 (the Act) are recovered.

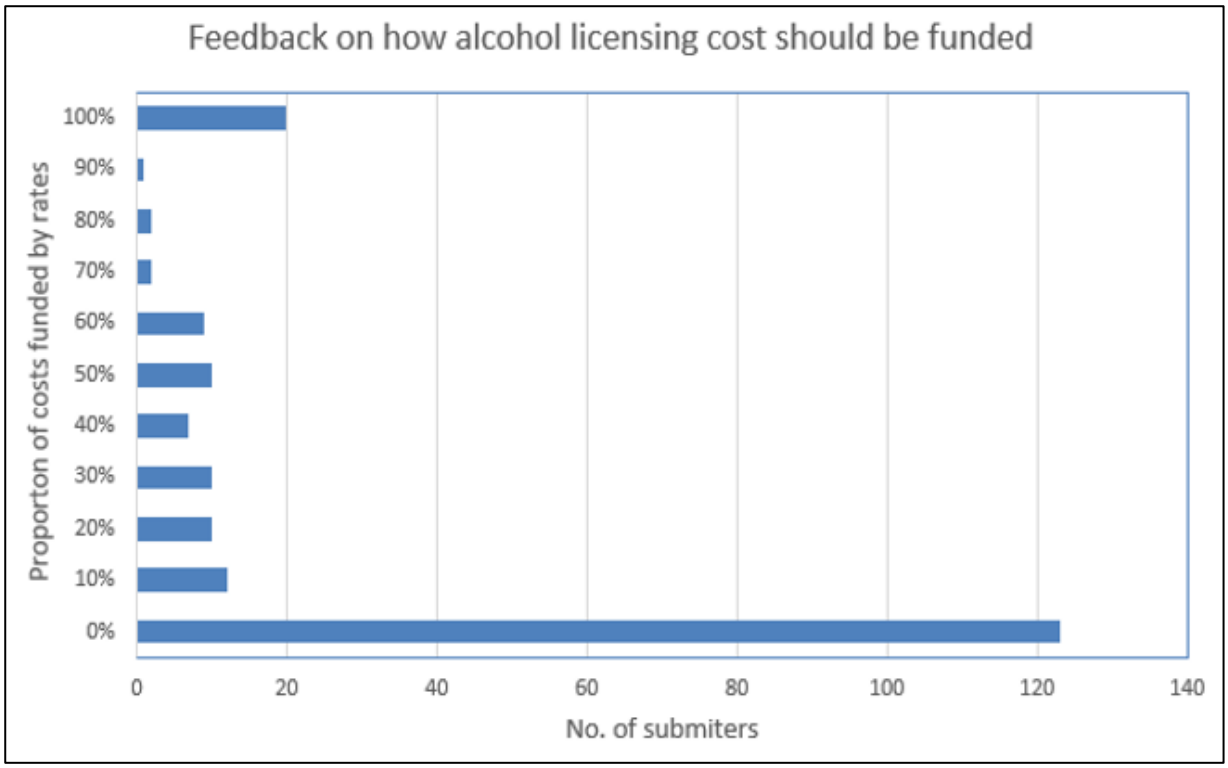
4. ‘Costs’ in this respect involve the administration, compliance monitoring/enforcement, application enquiry, funding District Licensing Committee (DLC) functions (determinations and hearings), and payment of fees to ARLA for each application.

5. Legislation sets ‘risk categories’, ranging from ‘very low to very high’ for on, off and club licences, and for Class 1-3 special licences. The risk categories consider factors such as the type of venue, the hours of trade, and the size of an event to determine the risk category. The higher the risk category, the more expensive the application fee.

6. The Council currently funds alcohol licensing activities through a mix of rates and user fees. The existing model for 2027 AP allocates approximately 55% of costs to ratepayers (Rates) and 45% to licensees (User).

7. Through community consultation, 78% of submitters supported the alcohol fees bylaw to provide Council with the ability to set fees, 57% strongly supporting and 21% indicating their support. 19% of submitters did not support the proposal with 14% stating that they strongly do not support the bylaw.

8. Most submitters (60) thought that alcohol licensing costs should not be funded through rates at all. An additional 16% supported a rates contribution of 10-30%. 13% believed rates funding should contribute between 40-60%, while 10% thought the costs should be fully funded through rates.




## DISCUSSION AND ANALYSIS

9. On the 9 October 2025, a workshop was presented to the Mayor and Elected Members outlining the costs incurred by the Alcohol Licensing Team to provide services related to application processing, compliance monitoring, and enforcement. Under the current model, ratepayers subsidise a significant portion of these costs, which has raised concerns about equity and financial sustainability.

10. Moving toward a user pays model ensures that those who benefit commercially from the service bear a fair share of the cost. The following options outline potential approaches to achieving this objective.

11. Consideration could be given to a staggered/phased implementation if it was decided that fees should be increased. This might be seen as an option to mitigate the impact on businesses but would delay the benefit to the ratepayers who continue to contribute to this activity.

12. A ‘new licence’ (required when a completely new business starts up, or when an existing premise is sold and the new owner requires a licence) is issued for a period of twelve (12) months. Before those 12 months runs out, a licensee is required to apply for a renewal of the licence and if issued, the licence then exists for a 3-year period. Application fees are the same cost whether for a one year or three-year licence; therefore, some licensees will be impacted immediately and others not for some time.

13. The Act states, in relation to the renewal of premise licences (Section 127) and for special licences (Section 137), that any application must be made at least 20 working days before the expiry of the licence, and/or before the day the event concerned begins. Where this does not occur, the Act makes allowance under Section 208 for a ‘waiver’ to be applied for (and it may be subsequently granted or refused).

14. This waiver process, which is not currently charged, entails administrative staff preparing documentation to be forwarded to the DLC for determination, and obviously incurs costs associated with the DLC Chair’s time to make such determination. It is considered that this

actual cost, of staff and DLC time equates to being $150 per waiver applied for, should be borne by the applicant.

## OPTIONS ANALYSIS

### Application and Annual Fees

15. The fees listed below are an example of the status quo (Option 1) and possible options (Options 2-4) if the percentage ratio of 'rates funded' vs. 'user funded' are maintained or changed.

| TYPE OF FEE | FEE CATEGORY | Option 1 | Option 2 | Option 3 | Option 4 |
|---|---|---|---|---|---|
| | | 55% rates / 45% user (Status quo) | 50% rates / 50% user (17% increase) | 40% rates / 60% user (54% increase) | 30% rates / 70% user (89% increase) |
| **Application Fee** | Very Low (0-2) | $320.00 | $375.00 | $490.00 | $605.00 |
| | Low (3-5) | $530.00 | $620.00 | $811.00 | $1002.00 |
| | Medium (6-15) | $710.00 | $831.00 | $1,087.00 | $1342.00 |
| | High (16-25) | $890.00 | $1042.00 | $1,362.00 | $1683.00 |
| | Very High (26+) | $1,050.00 | $1229.00 | $1,607.00 | $1985.00 |
| **Annual Fee** | Very Low | $140.00 | $164.00 | $214.00 | $265.00 |
| | Low | $340.00 | $398.00 | $520.00 | $643.00 |
| | Medium | $550.00 | $644.00 | $842.00 | $1040.00 |
| | High | $900.00 | $1053.00 | $1,377.00 | $1702.00 |
| | Very High | $1,250.00 | $1463.00 | $1,913.00 | $2363.00 |
| **Special Licence** | Class 1 | $500.00 | $585.00 | $275.00 | $945.00 |
| | Class 2 | $180.00 | $211.00 | $765.00 | $340.00 |
| | Class 3 | $55.00 | $64.00 | $275.00 | $104.00 |
| **Temporary Authority** | | $258.00 | $302.00 | $84.00 | $488.00 |
| **Temporary Licence** | | $258.00 | $302.00 | $395.00 | $488.00 |

Note: All fees are exclusive of GST.
Excludes managers certificates as this fee is set by legislation.

16. In order to provide guidance on what increase in revenue might be experienced year on year using the table above, 2025 actual volumes have been assumed for the 2026/27 FY and are usually consistent year on year.

### Issue 1 – Application and annual fees

### Option 1: Retain the status quo – 55% rates / 45% user funded

17. Under this option, Council would retain the current fees for alcohol licensing and funding model of 55% rates funded, 45% user fees.

| Advantages | Disadvantages |
|---|---|
| • No change for licensees; maintains affordability for businesses.<br>• Simple to administer as current system remains unchanged. | • Ratepayers continue to subsidise approximately 55% of costs of the licensing system, which conflicts with public feedback.<br>• Does not address funding gap or improve cost recovery. |

**Financial Impact:**

18. This option maintains the current funding model, meaning no immediate financial impact on licensees. It is administratively simple and avoids disruption for businesses. Current rates funding required is $578,634, with no increases to fees this number would be expected to increase each year due to rising costs.

**Option 2: Increase the current fees to reflect a 50% rates / 50% user funded model**

19. Under this option, Council would increase the current fees to reflect a 50% rates / 50% user funded model.

| Advantages | Disadvantages |
|---|---|
| • Greater cost recovery.<br>• Less financial shock for licensees compared to Option 3. | • Only partially addresses funding gap; ratepayers still cover some costs.<br>• Additional cost for businesses. |

**Financial Impact:**

20. This option represents a moderate shift toward user-pays, reducing the burden on ratepayers while limiting the financial shock for licensees. It partially aligns with policy objectives and public sentiment but still maintains a significant ratepayer contribution.

21. Fees will increase by 17% and it is expected that user fees revenue will increase by $50,139, reducing the rates funding by the equivalent amount.

**Option 3: Increase the current fees to reflect a 40% rates / 60% user funded model**

22. Under this option, Council would increase the current fees to reflect a 40% rates / 60% user funded model.

| Advantages | Disadvantages |
|---|---|
| • Greater cost recovery.<br>• Less financial shock for licensees compared to Option 4. | • Only partially addresses funding gap; ratepayers still cover 40% of the cost.<br>• May require further increases later, creating uncertainty for businesses. |

**Financial Impact:**

23. This option represents a moderate shift toward user-pays, reducing the burden on ratepayers while limiting the financial shock for licensees. It partially aligns with policy objectives and public sentiment but still maintains a significant ratepayer contribution.

24. Fees will increase by 53% and it is expected that user fees revenue will increase by $155,945, reducing the rates funding by the equivalent amount.

**Option 4: Increase the current fees to reflect a 30% rates / 70% user funded model** (Recommended)

25. Under this option, Council would increase the current fees to reflect a 30% rates / 70% user funded model (the maximum user charge under the Revenue and Financing policy in the current LTP).

| Advantages | Disadvantages |
|---|---|

| | |
|---|---|
| • Significantly reduces ratepayer subsidy, aligning strongly with public consultation (78% support for user-pays).<br>• Falls within the Revenue & Financing Policy target band (30–70%).<br>• Creates a more sustainable funding model for alcohol licensing services. | • Significant cost increase for licensees, which may impact smaller businesses.<br>• Potential for pushback from industry stakeholders. |

**Financial Impact:**

26. This option delivers the most significant alignment with a user pays approach and public consultation, which indicated strong support for shifting costs to applicants. It substantially reduces ratepayer subsidy compared to the current model.

27. Fees would increase by 89% and it is expected that revenue will increase by $261,968, reducing the rates funding by the equivalent amount.