

This document relates to the Tied Pubs (Scotland) Bill (SP Bill 62) as introduced in the Scottish Parliament on 3 February 2020

Tied Pubs (Scotland) Bill

Financial Memorandum

Introduction

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Tied Pubs (Scotland) Bill, introduced in the Scottish Parliament on 3 February 2020. It has been prepared by the Non-Government Bills Unit on behalf of Neil Bibby MSP, the member who introduced the Bill.
2. The following other accompanying documents are published separately:
 - statements on legislative competence by the Presiding Officer and the member who introduced the Bill (SP Bill 62–LC);
 - Explanatory Notes (SP Bill 62–EN);
 - a Policy Memorandum (SP Bill 62–PM).

Background

Policy objectives of the Bill

3. The aim of the Tied Pubs (Scotland) Bill (“the Bill”) is to improve the position of tied pub tenants by requiring the establishment of a Scottish Pubs Code to govern the relationship between pub-owning businesses and their tied tenants and ensuring the appointment of a Scottish Pubs Code Adjudicator (SPCA) to apply the code.
4. The fundamental aims of the Bill are set out on the face of the Bill. Section 3 states that the Scottish Pubs Code must be consistent with three principles and that these must be applied by the Adjudicator when making decisions. The three principles are—

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- fair and lawful dealing by pub-owning businesses in relation to their tied pub tenants;
- that tied pub tenants should not be worse off than they would be if they were not subject to any product or service tie; and
- that the tied agreements offer a fair share of risk and reward to both parties.

5. The Bill follows a similar approach to that taken in England and Wales in 2015 (via Part 4 of the Small Business, Enterprise and Employment Act 2015 – “the 2015 Act”). Like the 2015 Act, the Bill gives tied tenants the ability to opt out of tied arrangements if they wish and pay a fair and reasonable market rent for their pub premises. This will make it possible for currently tied pub tenants to be free to source and purchase products as they see fit and to have the flexibility they need to react to changes which affect their business in a competitive and often crowded market.

6. However, another of the Bill’s objectives is to address the various criticisms of the 2015 Act, to ensure that the Scottish Pubs Code, and Scottish Pubs Code Adjudicator, are fit for Scottish circumstances, and are adapted to avoid the problems experienced in England and Wales. Neil Bibby has therefore taken the approach of using the 2015 Act as the starting point for the Bill, amending where necessary, considering that this (rather than starting from scratch) was a pragmatic approach given the fundamental shared aims.

7. The most significant differences in this Bill, compared to the 2015 Act, are that all tied pub tenants in Scotland will be covered (compared to only those who have tenancies with larger pub owning companies in the 2015 Act), and that there will be an automatic right to exercise the market-rent-only option (compared to it being subject to various conditions and trigger points in the 2015 Act).

Funding model

8. The funding model of the Bill follows the model used in the 2015 Act, which is that the associated costs of the code and adjudicator will be financed by an annual levy on the pub-owning businesses covered by the code. The Bill provides for the adjudicator to take into account estimated as well as actual expenses, as it is expected that the levy will be raised at the beginning of each financial year (as in England and Wales). The Bill provides for any

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surplus in the annual levy (at the end of the financial year), to be repaid to the pub-owning businesses that paid the levy in respect of that financial year.

9. As with the implementation of the 2015 Act, the provisions in the Bill will generate costs before the first levy has been paid by pub-owning businesses. The Pubs Code Adjudicator (PCA) for England and Wales was reliant on the Department for Business, Energy and Industrial Strategy (BEIS) for funding and financial administration from its inception on 2 May 2016 until 31 December 2016 when the first levy was raised. Once levy payments were received from pub-owning businesses the PCA repaid BEIS in full within the first accounting period.¹ The Scottish Pubs Code Adjudicator's initial costs will therefore be funded by a loan from the Scottish Government, which may be repaid by the first levy or spread over subsequent levies.

Pub numbers and data

10. The implementation of the 2015 Act and the subsequent establishment and operation of the PCA for England and Wales provides a useful reference for likely and possible costs resulting from this Bill. A principal source is the annual accounts published by the PCA. In analysing and understanding how the costs of the code and adjudicator in England and Wales relate to Scotland, it is important to understand how the tied pub sectors compare.

11. The pubs code in England and Wales covers pub-owning businesses which own 500 or more tied pubs, which is currently six companies. The latest figures from the PCA state that the code currently applies to around 9,600 tied pubs.² In March 2019 the Scottish Beer and Pub Association

¹ Confirmed in an email from the Office of the Pubs Code Adjudicator to the Non-Government Bills Unit, 19 July 2019.

² Pubs Code Adjudicator Annual Report and Accounts 1 April 2018 to 31 March 2019, pg. 11. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf.

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(SBPA)³ estimated that there are 732 tied pubs in Scotland.⁴ The SBPA acknowledges that there may be a low number of tied pubs not included in that estimation, due to the pub-owning business being outwith the SBPA's membership and knowledge base. Pub-owning businesses with tied pubs in Scotland, according to SBPA figures, are set out in the following table:

Table 1: Pub-owning businesses in Scotland⁵

Pub-owning business	No. of pubs in Scotland	No. of tied pubs in Scotland
Punch Taverns	40	34
Belhaven/Greene King/Spirit Leased	128	124
Hawthorn Leisure	92	71
Star Pubs & Bars/Heineken	255	250
G1 Group/Iona Pub Partnership	100	90
Trust Inns	47	45
Caledonian Heritable#	64	30
Rosemount~	44	44
Kingdom Taverns~	29	29
Admiral Taverns	15	15
Total	814	732

#Caledonian Heritable includes a number of businesses operating across industries. It does not consider itself a 'pub company'

~Not current SBPA members – estimates based on data available on company websites.

12. This financial memorandum uses a base figure of 750 tied pubs in Scotland in its estimates, based on the 732 confirmed tied pubs and the likelihood of there being a small number of additional tied pubs. The Scottish

³ The Scottish Beer and Pub Association (SBPA) is a membership organisation for brewers and pub-owning companies in Scotland.

⁴ Correspondence between the SBPA and the Non-Government Bills Unit.

⁵ Information provided by SBPA to Non-Government Bills Unit.

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Pubs Code would therefore apply to 7.8% of the number of tied pubs that the code in England and Wales applies to.⁶

Costs on the Scottish administration

Initial costs

13. The set-up costs for implementing the Bill will fall on the Scottish Government including developing, consulting on and introducing the code, developing and issuing guidance, and recruiting and appointing the Scottish PCA. The Scottish Government will also need to ensure that the code, the guidance and the date that the code comes into force are notified to stakeholders.

14. Before introducing the code as regulations, the Scottish Government will need to consider the associated costs of different policy options. It is likely that its costs in doing so will be minimal, and the Scottish Government should be able to absorb them within existing budgets.

15. Should the Scottish Government wish to consult on the draft code or any associated regulations, these costs would also fall on the Scottish Government and should be capable of being absorbed within existing budgets.

16. The Scottish Government may have to carry out work to develop and publish guidance for stakeholders on how to comply with the code when it comes into force. It is likely that its costs in doing so will be minimal and should be capable of being absorbed within existing budgets.

17. The cost of recruiting the Scottish PCA and staff will include advertising the position, sifting applications, and convening a panel to interview candidates and select the successful candidate. For example, the Financial Memorandum for the Scottish Biometrics Commissioner Bill 2019, allows £4,000 for recruitment costs for a Biometrics Commissioner and three full

⁶ 750 is 7.8% of 9,600 (see paragraph 11).

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time equivalent (FTE) staff members.⁷ “The costs include advertising, assessor’s fees, warrant costs and HR support costs, and are based on recent similar exercises for parliamentary office-holders and staff undertaken by the SPCB [Scottish Parliament Corporate Body]”.⁸

18. In England and Wales, the then Department for Business, Innovation and Skills undertook the preliminary set-up of the PCA’s office. This included identifying the office location, securing IT systems and support and the recruitment of the two most senior appointments in the PCA’s team.⁹ The Scottish Government may need to undertake similar work. If it does, it may choose to allocate these set-up costs as the Scottish PCA’s expenses, which in turn would be recouped by the levy on pub-owning businesses. Alternatively, the Scottish Government may choose to appoint the PCA first and delegate these decisions and set-up costs to the new appointee.

19. Neil Bibby’s preferred option for office accommodation for the Scottish PCA and staff would be to co-locate the office with an existing officeholder, with minimal cost to the Scottish Government. Further detail on office accommodation, should a separate office space be required for the Scottish PCA, is set out below.

20. Information about the PCA, including all publications, is hosted and accessed from the UK Government website. It will be necessary for the new code and any guidance to be available to the public from the day that the code comes into force. It is therefore expected that the code and any related documents or publications will be hosted on the Scottish Government website, with the associated costs of creating the web pages borne by the

⁷ Pg. 3, Scottish Biometrics Commissioner Bill, Financial Memorandum: https://www.parliament.scot/S5_Bills/Scottish%20Biometrics%20Commissioners%20Bill/SPBill48FMS052019.pdf.

⁸ Pg. 3, Scottish Biometrics Commissioner Bill, Financial Memorandum: https://www.parliament.scot/S5_Bills/Scottish%20Biometrics%20Commissioners%20Bill/SPBill48FMS052019.pdf.

⁹ Pg.8, PCA Annual Report and Accounts 2016-17: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631121/PCA_annual_report_and_accounts_May_2016_March_2017.pdf.

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Scottish Government. There is precedent for such an arrangement: for example, information regarding the newly created Poverty and Equality Commission, including its remit, appointments and minutes of meetings, is hosted on the Scottish Government website.

21. It is therefore projected that the costs on the Scottish Administration are expected to be modest (£4,000 for staff recruitment, and a likely similar amount for other administrative tasks related to recruitment) and to be capable of being absorbed within existing budget or recovered in due course from the Adjudicator via the levy on pub-owning businesses.

22. The Bill provides that the Scottish Government can make loans to the adjudicator, which would be repayable via the levy on pub-owning businesses. It is anticipated that Scottish Government will provide a loan to cover the initial costs of the Scottish Pubs Code Adjudicator, based on an estimation of the Adjudicator's expenses. Scottish Ministers may attach conditions, including conditions as to the repayment of the loan and the payment of interest, to any loan given.

Ongoing costs

23. The proposed levy will require to be approved by the Scottish Ministers on an annual basis. This will incur a minimal administrative cost.

24. The Scottish Government will be expected to maintain and update the relevant webpages on the Scottish Government's website. As the Bill allows the Scottish Government to provide facilities and other assistance to the adjudicator with or without charge, it will be for the Scottish Government whether to charge the adjudicator for the use of its website. As the Bill states that the purpose of the levy is to pay towards the expenses of the adjudicator, if a charge is made the adjudicator will be able to add the cost to the levy. It should be noted that the PCA does not pay the UK Government for the pages used on the Government's website.

25. The Scottish PCA will be accountable to the Scottish Ministers. The means and method of holding the PCA to account, and any associated costs, will be a decision for the Scottish Ministers. However it is done, there are likely to be some minimal administrative costs.

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26. Based on the above analysis, the ongoing costs on the Scottish Administration are likely to be relatively low and capable of being absorbed into existing budgets.

Costs on local authorities

27. There are no expected direct costs on local authorities.

Costs on pub-owning businesses

28. Most of the costs of the Bill will fall on pub-owning businesses. Costs on pub-owning businesses will mainly fall into two categories: 1) a share of the annual levy which will fund the office and work of the PCA; 2) additional costs associated with, and as a result of, the code, such as the costs of a pub moving to an MRO agreement, arbitration, investigations and financial penalties for breaching the code. There are also further potential indirect costs, such as pubs being sold or closed as a consequence of the Bill.

29. As mentioned, the set-up and ongoing costs associated with the code and the adjudicator will be paid via a levy imposed on the pub-owning business covered by the Bill (which is any pub-owning business which owns one or more tied pub). The levy will fund the annual budget of the adjudicator.

30. The details of the levy are not set out in the Bill but are left to regulations. However, the Bill stipulates that the share each pub-owning business will be required to pay will be determined by reference to the number of tied pubs in Scotland owned by each pub-owning business, and to the number of cases being referred to the adjudicator.¹⁰ This follows the model used for funding the code and adjudicator in England and Wales under the 2015 Act.

31. It is therefore likely that pub-owning businesses with a larger proportion of the tied pubs in Scotland, and/or pub-owning businesses which have a larger share of cases being referred to the adjudicator, will pay a greater share of the levy.

¹⁰ Schedule 2, paragraph 13, of the Bill.

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Estimated workload of a Scottish PCA

32. In order to estimate the levy for the first year of the code, and for following years, it is necessary to estimate the workload of the Scottish PCA, as this determines the nature of the PCA's role, the size and set-up costs of the PCA's office and support staff, the likely number of enquiries the office will need to respond to, and the number of cases referred for arbitration.

33. The England and Wales PCA has published data for the number of enquiries, referrals for arbitration, and arbitration caseload, from the day that the Pubs Code came into force (21 July 2016) to 30 September 2019.¹¹ Table 2 below shows that the number of enquiries and disputes accepted for arbitration (the vast majority of which are MRO cases) has decreased since the code came into force.

¹¹ PCA Arbitration Data – Quarterly Release (July - September 2019): https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841186/PCA_arbitration_data_July_-_September_2019.pdf.

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Table 2: PCA (England and Wales), numbers of enquiries and disputes

	21 July 2016 – 31 March	2017/18 ¹³	2018/19 ¹⁴	2019/20 (Estimated) ¹⁵
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¹² PCA Annual Report and Accounts 2016-17:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631121/PCA annual report and accounts May 2016 March 2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631121/PCA_annual_report_and_accounts_May_2016_March_2017.pdf).

¹³ Pubs Code Adjudicator Annual Report and Accounts 1 April 2017 to 31 March 2018. Available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727285/PCA-Annual Report 2017-18 ACCESSIBLE.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727285/PCA-Annual_Report_2017-18_ACCESSIBLE.pdf).

¹⁴ Pubs Code Adjudicator Annual Report and Accounts 1 April 2018 to 31 March 2019, Available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual Report 2018-19 WEBSITE.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf).

¹⁵ Estimates based on 6 month figures from the PCA Arbitration Data-Quarterly Release (April to September 2019)

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841186/PCA arbitration data July - September 2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841186/PCA_arbitration_data_July_-_September_2019.pdf)

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Number of enquiries raised	490 ¹⁶	202 ¹⁷	139 ¹⁸	196 ¹⁹
Average number of enquiries per month	59	17	12	16
Total number of referrals accepted for arbitration	116 (102 of which were MRO cases)	100 (89 of which were	96 (84 of which were	68 (58 of which would be MRO

¹⁶ PCA Arbitration Data- Quarterly Release (October – December 2017):
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675195/PCA_quarterly_data_release_Oct_-_Dec_2017.pdf.

The cumulative number of enquiries from 21.07.2016 to 31.12.2017 was 657. The cumulative number of enquiries from 01.04.2017 to 31.12.2017 was 167. $657 - 167 = 490$. $21.04.2016 - 31.03.2017$ is 8.32 months. $490 \text{ enquiries} / 8.32 \text{ months} = 58.9 \text{ enquiries per month}$. The cumulative number of accepted MRO related cases from 21.07.2016 to 31.12.2017 was 165. The cumulative number of enquiries from 01.04.2017 to 31.12.2017 was 63. $165 - 63 = 102$. $116 \text{ cases} / 8.32 \text{ months} = 13.9 \text{ cases per month}$.

¹⁷ PCA Arbitration Data- Quarterly Release (January- March 2018):
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701379/PCA_quarterly_data_release_Jan_-_Mar_2018.pdf.

¹⁸ PCA Arbitration Data – Quarterly Release (January- March 2019):
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796053/PCA_arbitration_data_January_March_2019.pdf

¹⁹ Estimates based on 6 month figures from the PCA Arbitration Data- Quarterly Release (April to September 2019)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841186/PCA_arbitration_data_July_-_September_2019.pdf.

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Average number of referrals accepted for arbitration per month	14	8	8	6
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34. With the exception of an estimated increase in enquiries for 2019/20, a decreasing trend in the numbers of enquiries and cases accepted for arbitration shown by these figures, infers that the largest volume of enquiries, and cases accepted for arbitration, will take place in the first year of the Scottish Pubs Code being in force.

35. The likelihood of a declining number of cases is also supported by the British Beer & Pub Association (BBPA) figures for the total number of MRO notices received.²⁰ From the code coming into force to the end of 2016 (i.e. 5.3 months), 322 MRO notices were received. In 2017, 290 MRO notices were received and in 2018, 235 MRO notices were received. Figures for 2019 are available to end of September 2019 and show that 156 MRO notices have been received.

36. Based on these figures, it can be predicted that there may be an average of 23 MRO requests a year²¹. However, unlike in England and Wales, the right of tied pub tenants to request an MRO option in Scotland will be automatic. This may mean that there are proportionally higher numbers of requests to exercise the right to request an MRO option in Scotland. This may in turn mean that the numbers of MRO related arbitration referrals to the Scottish PCA are higher than the figures estimated above.

37. The Deputy PCA has also noted that the role of the PCA and Deputy PCA is to take “proactive steps to create a regulatory environment in which

²⁰ <https://beerandpub.com/policies/property-and-planning/statutory-code-and-pca/>.

²¹ Based on an average of 3% of tied-pubs seeking an MRO.

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there will be fewer referrals for arbitration in the future.”²² It is hoped that the Scottish PCA will adopt the same proactive approach. The staffing and support levels determined for the set-up costs of the PCA’s office are therefore likely to represent the highest level of support that the Scottish PCA will require.

38. Using the data from England and Wales²³, it is possible to calculate the likely number of enquiries and arbitrations that the Scottish PCA will handle in the first full year, second year, and third year of the Scottish Pubs Code being in force. In England and Wales, there were 490 enquiries raised from when the code came into force to the end of the 2016/17 financial year. It can therefore be estimated that the number of enquiries of the first full year would have been 707.²⁴ The number of enquiries in 2017/18 was 202.²⁵ The number

²² 2016/17 Annual Report and Accounts, pg. 6.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631121/PCA annual report and accounts May 2016 March 2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631121/PCA_annual_report_and_accounts_May_2016_March_2017.pdf)

²³ PCA Arbitration Data- Quarterly Release (October-December 2017):
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675195/PCA quarterly data release Oct - Dec 2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675195/PCA_quarterly_data_release_Oct_-_Dec_2017.pdf).

PCA Arbitration Data- Quarterly Release (January-March 2018):
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701379/PCA quarterly data release Jan - Mar 2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701379/PCA_quarterly_data_release_Jan_-_Mar_2018.pdf).

²⁴ $21.7.16 - 31.3.17 = 253$ days. $490 \times (365 / 253) = 707$.

²⁵ PCA Arbitration Data- Quarterly Release (January-March 2018):
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701379/PCA quarterly data release Jan - Mar 2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701379/PCA_quarterly_data_release_Jan_-_Mar_2018.pdf).

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of enquiries in 2018/19 was 139.²⁶ The figures in the following table have been adjusted for the lower number of pubs expected to be covered by the Scottish code (750):

Table 3: Scottish PCA, estimated numbers of enquiries and disputes

	Year One	Year Two	Year Three
Estimated number of enquiries ²⁷	55	16	11
Estimated number of arbitrations ²⁸	13	8	8

39. It should be noted that there are other factors which may influence the estimated figures for Scotland, including the level of support that tied pub tenants in Scotland have or do not have for the Scottish code, the level of dissatisfaction among tied pubs tenants with their pub-owning businesses, and market conditions that will affect the extent to which tied pub tenants believe they would gain financially by breaking the tie.

40. In addition to adjudicating cases, it is expected that the role of the Scottish PCA will also include other requirements, similar to the role of the PCA for England and Wales. These requirements are likely to include: publishing guidance, advice and information to enable compliance with the code, investigating breaches of the code, working collaboratively with

²⁶ PCA Arbitration Data- Quarterly Release (January-March 2019):

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796053/PCA_arbitration_data_January_March_2019.pdf

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²⁷ Enquiries: $707 \times (750/9,600) = 55$. $202 \times (750/9,600) = 16$. $139 \times (750/9,600) = 11$.

²⁸ Year One: $116 \times (365/253) = 167$. $167 \times (750/9,600) = 13$. Year Two: $100 \times (750/9,600) = 8$. Year Three: $96 \times (750/9,600) = 8$.

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stakeholders and conducting regular meetings with stakeholders and representative groups.²⁹

41. On the basis of the above estimated level of enquiries and caseload of the Scottish PCA, as well as other requirements of the role of the Adjudicator, it is projected that the Scottish PCA will not require to be a full-time position. This has informed the below costings for the set-up and ongoing costs of the Scottish PCA.

Year One costs covered by the levy

42. The set-up costs associated with the PCA (under the 2015 Act) are a matter of public record and provide a helpful guide to estimating the costs of establishing a Scottish code and adjudicator, when factored in with the estimated caseload of a Scottish PCA.³⁰

43. As the set-up and Year One costs of the Scottish PCA will begin to occur prior to the code coming into force, the Scottish PCA will initially be funded by Scottish Government loan, until it is reimbursed (through the levy) by pub-owning businesses.

²⁹ Page 13, Pubs Code Adjudicator Annual Report and Accounts 1 April 2017 to 31 March 2018. Available at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727285/PCA-Annual_Report_2017-18_ACCESSIBLE.pdf.

³⁰ PCA Annual Report and Accounts 2016-17:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/631121/PCA_annual_report_and_accounts_May_2016_March_2017.pdf.

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Projected remuneration/pay award for the Scottish PCA

44. The total remuneration for the PCA for the financial year 2018/19 was £180,000-£185,000. The salary was between £130,000-£135,000.³¹ As a comparison, the total remuneration for the Children's Commissioner for England, for the same financial year was broadly similar, at £175,000-£180,000, with a salary of £125,000-£130,000.³² By comparison, the Children and Young People's Commissioner for Scotland received a salary of £71,761 in 2018/19.³³

45. There are other comparable office-holders in Scotland, which also provide a helpful indicative level for the Scottish PCA's annual salary. These office-holders are funded by the Scottish Parliament and their pay awards are approved by the Scottish Parliament Corporate Body (SPCB). These office-holders, such as the Ethical Standards Commissioner, the Chair of the Scottish Human Rights Commission, the Scottish Information Commissioner and the Scottish Commissioner for Children and Young People, have an active caseload of enquiries and complaints (at varying levels), similar to the role that is envisaged for the Scottish PCA.

46. The pay award for these office-holders, for the most recent financial year that figures are available, are set out in Table 4 (which includes the salary for the Scottish Commissioner for Children and Young People).³⁴

³¹ Pg. 31, Pubs Code Adjudicator Annual Report and Account 1 April 2018 to 31 March 2019. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf.

³² <https://www.childrenscommissioner.gov.uk/wp-content/uploads/2019/07/cco-annual-report-and-accounts-2018-19.pdf>.

³³ [https://parliament.scot/SPCB/2019/SPCB\(2019\)Paper_019.pdf](https://parliament.scot/SPCB/2019/SPCB(2019)Paper_019.pdf).

³⁴ [https://parliament.scot/SPCB/2019/SPCB\(2019\)Paper_019.pdf](https://parliament.scot/SPCB/2019/SPCB(2019)Paper_019.pdf). Information regarding pension and national insurance contribution provided by the Scottish Parliament. Figures are rounded to the nearest pound.

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Table 4: Existing office-holders pay awards

Scottish Parliament Supported Office-holder	Salary for 2018/19	Employer National Insurance Contribution	Employer Pension contribution in 2018/19	Total
Scottish Information Commissioner	£74,095	£9,165	£16,539	£100,540
Ethical Standards Commissioner	£77,105	£9,478	£17,040	£103,623
Children and Young People's Commissioner for Scotland	£71,761	£8,741	£15,859	£96,361
Chair of the Scottish Human Rights Commission	£72,479	£8,840	£16,018	£97,337

47. On this basis, it is estimated that a Scottish PCA would receive a pay award comparable to other Commissioners in Scotland that are responsible for casework, as well as advocacy and providing guidance. The full-time equivalent (FTE) salary for the Scottish PCA is therefore estimated to be between £70,000 per annum and £80,000 per annum. A median figure of £75,000 has therefore been estimated for the FTE salary for the Scottish PCA.

48. The majority of the full-time SPCB supported officeholders benefit from access to the Civil Service Pension Schemes. The above table shows that the employer pension contribution rate for 2018/19 was approximately 22%. It is therefore anticipated that the employer pension contribution would also be approximately 22% of the Scottish PCA's salary.

49. The above table also shows that employer's national insurance contributions are likely to be approximately 12% of the Scottish PCA's salary.

50. The total FTE cost of a Scottish PCA is projected to be £100,500.

51. As noted above, the estimated workload notes that a Scottish PCA would be expected to arbitrate 13 cases in Year One and 8 cases in Year 2,

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in addition to the other requirements of the Scottish PCA's role. It can therefore be reasonably expected that the role of the Scottish PCA will require 0.5 of an FTE role, or 2.5 days per week.

52. The projected annual cost of the role of the Scottish PCA is therefore approximately £50,000.³⁵

Another arbitrator

53. The Bill provides for another arbitrator to be appointed on ad hoc basis, should the Scottish Pubs Code Adjudicator wish for another person to arbitrate a dispute. It is expected that any other arbitrator would be paid a fee for any work undertaken.

Projected Year One staff costs

54. Based on the estimated workload of the Scottish PCA, the Standards Commission is a useful comparator available for estimating staff costs of the Scottish PCA.³⁶ The Standards Commission has 1 senior member of staff and 2 junior members of staff.³⁷ It is therefore estimated that the likely staffing

³⁵ $0.5 \times £100,500 = £50,250$.

³⁶ The Commission carried out 12 hearings in 2017/18 and 8 hearings in 2018/19, which is similar to the number of cases the Scottish PCA would be expected to arbitrate in Year One (13 cases) and Year 2 (8 cases) Standards Commission Annual Report 2017/18, pg. 22:

<https://www.standardscommissionscotland.org.uk/uploads/files/1533553773180723SCfSAnnualReportFINALLAYING.pdf>.

Standards Commission Annual Report 2018/19, pg. 13:

<https://www.standardscommissionscotland.org.uk/uploads/files/1567432450SCfSAnnualReport201819.pdf>.

³⁷ Remuneration and Staff Report, Standards Commission Annual Accounts 2018/19:

<https://www.standardscommissionscotland.org.uk/uploads/files/1566986058190821SCSAnnualAccounts201819FINAL.pdf>.

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requirement for Year One of the code being in force is two junior members of staff and one senior member of staff, in addition to the Scottish PCA.

55. The total staff costs for the 3 members of staff employed by the Standards Commission (one senior member of staff and two junior) amounted to £160,000 in 2018/19.³⁸ This estimate has therefore been used in Table 5 below to estimate staff costs.

56. The Bill provides that support staff for the Scottish PCA's office will be Scottish Government secondees. However, it is assumed that their salaries will be covered by the Scottish PCA's budget and included in the levy.

Projected Year One office costs

57. It is anticipated that the Scottish PCA will require office space. As noted above, the preferred option would be for the Scottish PCA to be located in existing Scottish Government office space. This would reduce costs and reflect the estimated workload of the Scottish PCA in Year One, of approximately 55 enquiries, 13 cases accepted for arbitration, publishing further guidance and engaging with stakeholders.

58. Should separate office accommodation be required, based on the estimated cost of securing office space for the Biometrics Commissioner, professional and legal fees of up to £10,000 (including VAT) may be incurred "to search for a suitable property, to agree terms and to complete legal agreements." It is presumed that this cost would fall on the newly appointed Scottish PCA.

³⁸ Pg. 19, Remuneration and Staff Report, Standards Commission Annual Accounts 2018/19:

<https://www.standardscommissionscotland.org.uk/uploads/files/1566986058190821SCSAnnualAccounts201819FINAL.pdf>

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59. An example of the range of cost for leasing office space is £2,400³⁹ to £75,900⁴⁰ per annum. Neil Bibby's policy would be to locate an office in a reasonably central location at a modest cost. A median figure of £37,000 is therefore used as an estimate for an annual office lease (inclusive of VAT, service and utilities charges). Should the rateable value of the chosen office space exceed £15,000 then the office would not benefit from the small business bonus scheme of 100% rates relief, and the office of the PCA would therefore be required to pay non-domestic (business) rates as well. As the national non-domestic (business) rate is 49 pence in the pound for 2019/20, and it is unlikely that a rateable value of a property would exceed the annual lease cost, it is estimated that a maximum additional £18,000 would be required to be paid in business rates for an office lease of £37,000 per annum.

60. The projected cost of setting-up and accommodating the Scottish PCA in office space that is separate from current Scottish Government office space, is therefore £65,000 per annum.⁴¹

Projected Year One administration costs

61. Administration costs for the Standards Commission encompass legal advice, an audit fee, room hire for hearings, IT costs, printing costs, general admin costs, and travel and expenses for the Convener, Members and staff.

³⁹ Annual cost, for example, of a small office in a business park in Alloa-
<https://www.ceteris.co.uk/property/ceteris-serviced-offices/alloa-business-centre>.

⁴⁰ The lease for 2018/19 for the office of the Commissioner for Ethical Standards in Public Life, based in central Edinburgh (Haymarket) - see page 78, Annual Report and Accounts 2017/18:
<https://www.ethicalstandards.org.uk/sites/default/files/publications/1225680788585f7d72b5264dc75a6a56.pdf>.

⁴¹ £10,000 in legal and professional fees + £37,000 for lease, service and utility charges + £18,000 for business rates.

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For the 2018/19 financial year, these costs totalled £53,000.⁴² It is proposed that an estimated administration cost of £50,000 is used for the Scottish PCA.

Projected Year One office, staff and administration costs

62. Table 5 pulls together from paragraphs 55-61 above the projected Year One costs for the PCA's staff, office and administration costs.

Table 5: Scottish PCA Year One staff, office and administration costs

	SPCA located in Scottish Government office space	SPCA located in own office
Staff costs	£160,000	£160,000
Office costs	-	£65,000
Administration costs	£50,000	£50,000
Total	£210,000	£275,000

63. It is estimated that the Scottish PCA's office and staff costs would be £210,000 in Year One, if office space is found within existing Scottish Government office space. Should the Scottish PCA be located in its own office, then this estimate increases to £275,000.⁴³

⁴² Standards Commission, Annual Report 2017/18, pg.42.

<https://www.standardscommissionscotland.org.uk/uploads/files/1533553773180723SCfSAnnualReportFINALLAYING.pdf>

⁴³ £210,000 + £65,000 for office costs.

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Estimated levy in Year One

64. On the basis that the Scottish Government accommodates the PCA's office space within their existing office space⁴⁴, the estimated levy for Year One, including the PCA's remuneration cost, is £260,000⁴⁵.

65. It is expected that in Year One, the share of the levy will be calculated based on the percentage of tied pubs that each pub-owning business owns in Scotland. It can therefore be estimated that the largest contribution to the levy that each pub-owning business may expect to pay, is as follows:

Table 6: Year One levy, distribution among pub-owning businesses

Pub-owning business	No. of tied pubs in Scotland	Percentage of tied pubs in Scotland	Estimated share of a Year One levy of £260,000 ⁴⁶
Punch Taverns	34	5%	£11,800
Belhaven/Greene King/Spirit Leased	124	17%	£43,000
Hawthorn Leisure	71	9%	£24,600
Star Pubs & Bars/Heineken	250	33%	£86,700
G1 Group/Iona Pub Partnership	90	12%	£31,200
Trust Inns	45	6%	£15,600
Caledonian Heritable#	30	4%	£10,400
Rosemount~	44	6%	£15,300

⁴⁴ Should the Scottish Government choose to lease separate office space for the Scottish PCA, the estimated levy for Year One is £325,000: £275,000 for office, staff and administration costs + £50,000 cost for the role of the Scottish PCA = £325,000. Note that this does not include business rates estimates, which depend on the rateable value of any property chosen.

⁴⁵ £210,000 + £50,000 (Scottish PCA total remuneration and cost) = £260,000.

⁴⁶ Rounded to the nearest £100.

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Kingdom Taverns~	29	4%	£10,000
Admiral Taverns	15	2%	£5,200
Estimated other (unknown) tied pubs ⁴⁷	18	2%	£6,200
Total	750	100%	£260,000

#Caledonian Heritable includes a number of businesses operating across industries. It does not consider itself a 'pub company'; ~Not current SBPA members – estimates based on data available on company websites.

Year One costs not covered by the levy

66. In addition to the annual levy, pub-owning businesses may incur costs when tenants request an MRO option. For example, pub-owning businesses may opt to take legal advice or advice from a surveyor regarding the value of the pub property.

67. Should the MRO option not be resolved between the pub-owning business and the tenant, then the cost of arbitration will also need to be factored in. In addition to the referral fee (paid by the tenant), the PCA also recoups his/her fees and expenses from pub-owning businesses, in cases arbitrating an MRO option. As shown above, it is estimated that the PCA would accept 13 cases for arbitration in the first year of the Scottish code being in force, with a further eight cases estimated in the following 12 months. In England and Wales, the caseload data has shown that one pub-owning business has been responsible for significantly more cases referred to arbitration than others. However, this pub-owning business does not operate in Scotland. Of the pub-owning businesses with cases accepted for arbitration that do operate in Scotland, the number of accepted cases has fallen evenly across the different businesses. Therefore, divided between the ten pub-owning businesses operating in Scotland, identified by the SBPA, this leads to approximately one case for each pub-owning business, in Year One of the

⁴⁷ 750 is the estimated figure used in this Financial Memorandum to take into account a small number of tied pubs that may not appear in this list.

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Scottish code being in force, and less than one case per pub-owning business in the following 12 months.⁴⁸

68. In 2016/17, 2017/18, and 2018/19 the total number of arbitration cases in which an award was made was 294⁴⁹ cases. In the same periods, £214,120⁵⁰ of the PCA's fees and expenses for arbitration, was recouped from pub-owning businesses. This amounts to an average cost of £728 per case for pub-owning businesses.

69. Pub-owning businesses in Scotland may therefore expect to pay an estimated £728 per case in fees and expenses relating to the PCA, should a request for an MRO option by a tenant be referred to the PCA. However, as noted from the expected workload, the number of cases that resort to this option is likely to be in the single figures for most pub-owning businesses. Based on the estimated decrease in cases referred to the PCA, pub-owning businesses can also expect that the amount in arbitration fees and expenses they may be required to pay will decrease after the first year of the code being in force.

⁴⁸ Note that the increase in the levy from 2016/17 to 2017/18 in England and Wales is likely to reflect a backlog of cases being arbitrated by the PCA. The actual number of cases decreased.

⁴⁹ PCA Annual Report and Accounts, 2016/17, Annexed Correction Slip, PCA Annual Report and Accounts, 2017/18, pg. 18, and pg. 20 PCA Annual Report and Accounts 2018/19:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf.

⁵⁰ £6,850 + £61,494 + £145,776 = 214,120 PCA Annual Report and Accounts, 2016/17, pg. 20, PCA Annual Report and Accounts, 2017/18, pg. 26 and PCA Annual Report and Accounts 2018/19, pg. 29:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf, pg. 29.

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70. The Bill also provides for the recovery, from pub-owning businesses, of costs for carrying out investigations undertaken by the PCA, and for taking enforcement action at the end of the investigation.

71. The Bill provides for financial penalties to be imposed on pub-owning businesses, should a pub-owning business be found to be in breach of the code or if a pub-owning business fails to provide the adjudicator with information. The maximum permitted penalty under the Pubs Code (Fees, Costs and Financial Penalties) Regulations 2016 is 1% of the pub-owning business's annual turnover.⁵¹ It will be for the Scottish Ministers to decide whether the Scottish Pubs Code includes an equivalent maximum penalty. Any fines from penalties will be paid into the Scottish Consolidated Fund.

72. The Bill provides the right for the imposition and amount of financial penalties, and the recovery of associated costs, to be appealed to the Sheriff Appeal Court. Any appeal is likely to generate costs for both sides, primarily in relation to legal representation. Although appeals are expected to be rare, there is an inherent difficulty in accurately predicting whether or how often the appeal mechanism would be used. However, an example cost of an appeal to the Sheriff Appeal Court, based on a single day of hearings, is as follows:

Table 7: Example cost of an appeal to the Sheriff Appeal Court

Sheriff Appeal Court fees (Civil) ⁵²	Cost
Lodging or opposing a motion or minute	£50
Fixing a hearing date	£56
Fee for lodging an appeal in a cause other than a summary cause or simple procedure case	£118

⁵¹ <https://www.legislation.gov.uk/ukdsi/2016/9780111146323>, section 5.

⁵² <https://www.scotcourts.gov.uk/rules-and-practice/fees/sheriff-appeal-court-fees>.

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Hearing fee per day or part thereof (bench of 3 or more) ⁵³	£593
Cost of counsel ⁵⁴ (per day)	£875.50 (junior counsel), £1,339 (senior counsel)
TOTAL (if senior counsel is instructed)	£2,156

73. Pub-owning businesses will incur the cost of completing annual compliance reports, to show that they are complying with the new code.

74. It is also possible that, should a significant number of pubs operated by a pub-owning business opt to break the tie, the pub-owning business may lose the economies of scale from which it currently benefits.

Ongoing costs covered by the levy

75. As the estimated number of enquiries and MRO related cases is expected to decrease year-on-year, the annual levy should also decrease.

76. The PCA Accounts give the operating costs (i.e. costs except for staff costs) as £407,000 in 2016/17, £427,000 in 2017/18⁵⁵ and £671,063 in 2018/19. The significant increase in 2018/19, compared to previous years, is likely due to the backlog of cases generated by the PCA's first two years of operation. It is considered unlikely that such a backlog of cases would occur in Scotland and therefore it is anticipated that, based on the estimated

⁵³ The Judiciary of Scotland website notes that "... civil appeals will be heard by a bench of three Appeal Sheriffs sitting in Edinburgh, although procedural business, routine appeals and appeals from small claims and summary causes may be dealt with by a single Appeal Sheriff in the local sheriffdom." <http://www.scotland-judiciary.org.uk/25/1545/Sheriff-Appeal-Court>.

⁵⁴ Cost of counsel based on Scottish Legal Aid Board legal assistance fees- <https://www.slab.org.uk/solicitors/legal-assistance-fees/>.

⁵⁵ [PCA Annual Report and Accounts, 2016/17](#) and [PCA Annual Report and Accounts, 2017/18](#).

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workload set out above, the Scottish PCA's operating costs would remain static or decrease.

Ongoing costs not covered by the levy

77. Other ongoing costs are dependent on how many tenants choose to exercise the MRO option, whether pub-owning businesses comply with the code, whether pub-owning businesses lose economies of scale and other market conditions.

Costs on tied pub tenants

78. Whilst the majority of costs for the Bill will fall on pub-owning companies, there are likely to be some costs which fall on tied pub tenants. Ultimately these will be determined by the extent to which tenants make use of the rights in the code, such as referring issues for arbitration or applying for an MRO. In such circumstances they may be liable for arbitration costs, legal fees, or an independent rent assessor to provide a market rate for the property. The Bill allows for the adjudicator to recover costs of an investigation from the person who made the complaint (which could be a tied tenant) if the complaint is found to be vexatious or wholly without merit. The Bill also allows the Scottish Ministers, by regulations, to require a tied pub tenant to make a payment to the adjudicator in respect of the expenses of an arbitration.

79. It should also be noted that one of the central aims of the Bill is to ensure that tied tenants are no worse off than tenants who are free of a tie. Neil Bibby's consultation found that many tied tenants find themselves in very challenging financial circumstances, so it is hoped that the Bill provides opportunities for those circumstances to be improved.

Arbitration

80. PCA arbitrations in England and Wales are funded largely through the payment of fees by tied pub tenants and pub-owning businesses⁵⁶ Arbitration will be similarly funded in this Bill. The cost to tenants for referral to arbitration by the England and Wales PCA in 2016/17 was £200.⁵⁷ The cost in 2017/18

⁵⁶ PCA 2016/17 Annual Report and Accounts.

⁵⁷ PCA Annual Report and Accounts, 2016/17, pg. 20.

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and 2018/19 remained at £200 per referral.⁵⁸ It is anticipated that a similar fee level will apply to Scottish tied pub tenants who request that their case be arbitrated by the Scottish PCA.

MRO impacts

81. The long-term impact of moving to a free-of-tie position is difficult to quantify, as it will depend on the market rent value for the area where the pub is located. However, it is expected that tenants will only opt to go free-of-tie where they believe that there is a financial benefit to doing so.

82. Tenants who opt to become free of tie can expect to incur increased costs for maintaining the property and paying for any amenities they may choose to continue with, such as Wi-Fi and satellite television. Tenants may also opt to pay for other costs that were previously covered under 'Special Commercial or Financial Advantages' (SCORFA) in the tie arrangement, such as business support, marketing, insurance and accounting support. Tenants may also need to take into account the cost of loan arrangements for buying wet sales products, and the cost of any loans required to invest in and maintain the property. However, tenants will benefit from paying lower prices for wet sale products and should therefore expect an increase in the percentage of profit made from wet sales to offset these costs.

Other potential costs

83. Tenants who do not opt to exercise the MRO option may experience increased costs if pub-owning businesses pass on the cost of the levy and any other increased costs to existing tied pub tenants.

Costs on other businesses

84. There are no expected direct costs on other businesses. (See the section on 'Savings' below for further impact of the code on other businesses.)

⁵⁸ [PCA Annual Report and Accounts, 2017/18, pg. 26 and Pg. 28:](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf)
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf.](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819009/PCA-Annual_Report_2018-19_WEBSITE.pdf)

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Other issues

85. There is conflicting information regarding the impact of a Scottish Pubs Code on the number of pub closures that may be anticipated. Pub-owning businesses have argued that “tenanted pubs close at half the rate of free houses,”⁵⁹ whereas one pub tenant, Chris Reid, stated in his consultation response that “over the past two years, based on research compiled by the trade, tied tenancy pubs were 62 times more likely to close than a free-of-tie premise.”⁶⁰ It is therefore difficult to estimate how the Bill will impact on the current level of pub closures that the industry currently experiences.

86. According to the Office of National Statistics, despite the reduction in the number of pubs across the UK, levels of employment in the industry appear to have remained stable or increased over the last ten years, depending on whether the pub is in an urban or rural setting.⁶¹

87. Industry publications from the pub sector in England and Wales report that one impact of the England and Wales Pubs Code has been that pub-owning businesses have opted to take a significant number of tied pubs into management control.⁶² Should Scottish pub-owning businesses choose to do the same, following the introduction of a Scottish Pubs Code, it may re-structure how the pubs sector in Scotland operates, with fewer tied-pub tenancies available for those that wish to enter the pubs sector.

⁵⁹ Consultation summary document, page 42.

⁶⁰ Chris Reid quoted in the consultation summary document, page 42.

⁶¹ Office for National Statistics (2018). “Economies of ale: small pubs close as chains focus on big bars”. Available at: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/articles/economiesofalesmallpubscloseaschainsfocusonbigbars/2018-11-26>.

⁶² Articles available at: <https://www.morningadvertiser.co.uk/Article/2017/09/26/Pubcos-slammed-over-use-of-Section-25-notices-to-block-MRO>, <https://www.yorkmix.com/food-drink/york-pubs-and-beer/disgraceful-hundreds-sign-petition-to-keep-much-loved-landlord-in-york-pub/>, <https://www.ft.com/content/108fdc5a-b72d-11e8-b3ef-799c8613f4a1>.

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88. It is difficult to forecast what impact the Bill may have on consumers. Pub-owning businesses may choose to pass on the cost of the levy to existing tied tenants, who in turn may pass on the cost to consumers. Alternatively, there may be reduced costs for consumers if former tied pub tenants choose to pass on savings made on free-of-tie products to the consumer. In addition, consumers will be able to benefit from a wider range of stock options in pubs that choose the MRO option.

Savings

Scottish Government

89. Any financial penalties imposed on pub-owning businesses that do not comply with the code will be paid into the Scottish Government's Consolidated Fund.

Local government

90. No savings for local government are anticipated.

Pub-owning businesses

91. Pub-owning businesses will no longer need to pay the annual fee for the upkeep and enforcement of the voluntary pubs code. The fee for 2017/18 was £18 per pub.⁶³ The Impact Assessment for the Pubs Code in England and Wales estimated that the cost of compliance with the then-voluntary code was approximately £40 per pub, and that, for companies already complying with the voluntary code, there was no additional cost for complying with the statutory code.⁶⁴

92. The Impact Assessment also estimated that enforcing the voluntary code led to a cost to the industry of around £100,000 per year in England and Wales. Should the Scottish dispute resolution schemes (the Pubs

⁶³ Fee information provided in an email from the SBPA to the Non-Government Bills Unit.

⁶⁴ Pg. 20, Impact Assessment, Pubs Statutory Code and Adjudicator: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/398237/bis-14-868-pub-companies-and-tenants-impact-assessment.pdf.

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Independent Conciliation and Arbitration Service and the Pub Independent Rent Review Scheme) be disbanded as a result of the new code, then pub-owning businesses would realise these savings in Scotland as well.⁶⁵

Tied pub tenants

93. Tied pub tenants who opt to exercise the MRO option may benefit from paying lower prices for wet sale products and should therefore expect an increase in their profit margins from wet sales (or be able to lower prices in order to increase sales volumes).

Other businesses

94. The Bill may have a positive impact on other businesses. Small breweries may benefit, as pubs that choose an MRO option would be able to buy products from smaller local breweries, and all tied-pubs are to be offered the right to stock a guest beer of their choosing. Other local businesses may also benefit as free-of-tie pubs have the ability to source stock from other local producers. This, in turn, may boost these sectors.

Summary

95. The below table shows a summary of the estimated costs associated with the Bill. Some of these costs, such as the non-levy costs for pub-owning businesses, are dependent on whether requests for MRO leases actually result in an MRO being agreed and are therefore not quantifiable.

Summary of estimated costs associated with the bill

Table 8: Summary of costs

ORGANISATION	YEAR ONE COSTS	ON-GOING, RECURRING COSTS
Scottish Government	£200,000*	Minimal
Local authorities	£0	£0

⁶⁵ Pg. 18 Impact Assessment, Pubs Statutory Code and Adjudicator: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/398237/bis-14-868-pub-companies-and-tenants-impact-assessment.pdf.

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ORGANISATION	YEAR ONE COSTS	ON-GOING, RECURRING COSTS
Pub-owning businesses	Levy cost of approximately £6,000 - £86,700 (depending on the size of the pub-owning business), plus non-levy costs	Levy cost of approximately £6,000 - £86,700 (depending on the size of the pub-owning business), plus non-levy costs
Tied tenants	Dependent on whether tenants exercise the MRO option.	Dependent on whether tenants exercise the MRO option.
Other businesses	N/A	N/A

*Costs, not including the Year One loan, which will be reimbursed by the levy.

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