
The Pubs Code etc. Regulations

Department for Business, Innovation and Skills

RPC rating: validated

Description of proposal

The Small Business, Enterprise and Employment Act 2015 requires a statutory pubs code to be introduced by 26 May 2016. The code will include legal definitions of the terms and processes provided for in the primary legislation. The impacts envisaged in the primary legislation were set out in the [Pubs Statutory Code and Adjudicator impact assessment \(IA\)](#) (covering elements of the Small Business, Enterprise and Employment Act 2015), and were considered in the relevant [RPC opinion](#) of 6 June 2014.

The secondary legislation will exempt franchise arrangements from the code requirements relating to the ability to request a market rent only assessment. The effect of this aspect of the secondary legislation will, therefore, be beneficial to business. However, as highlighted in the IA, this must be considered alongside the more significant regulatory impacts described in the IA accompanying the primary legislation.

Impacts of proposal

In the main, the introduction of the code and definition of processes and terms are not expected to have significant impacts beyond those that have already been assessed in association with the primary legislation, or that are not already standard practice under existing voluntary codes. The proposal to exempt franchises from the requirements is, however, expected to result in approximately 560 fewer pubs being covered by the code. For each pub no longer covered by the code, the Department estimates there will be a reduced cost to pub-owning companies of on average £170 for each pub.

The RPC validates the adjustment of -£0.1 million to the estimated equivalent annual net cost to business (EANCB) previously validated by the RPC at £3.4 million. Both the primary and secondary legislation are qualifying regulatory provisions that will be accounted for under the business impact target.

Quality of submission

The IA highlights that the impacts need to be considered alongside the impacts associated with the primary legislation. As the primary legislation includes provisions beyond those relating to the pubs code, for example in relation to the setting up of the adjudicator, for the purposes of the business impact target, the primary and secondary legislation will be considered as two distinct regulatory provisions. While it may have been preferable for the Department to submit a revised IA, covering the primary and secondary legislation in total, the RPC accepts that the use of a separate IA for the secondary legislation is proportionate in this case. The costs associated with the primary legislation have already been validated by the RPC at £3.4 million¹ after rebasing. Taken together with the secondary legislation the proposals should be considered as a net £3.3 million for the business impact target.

Small and micro business assessment

The adjustment is deregulatory and, therefore, a small and micro business assessment is not required. The IA, however, explains that the requirements will apply to only large pub-owning businesses (those with 500 or more tied pubs), and the beneficiaries (pub tenants) are mainly small and micro businesses.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	- £0.07 million
Business net present value	£0.73 million
Societal net present value	£0.73 million

RPC assessment

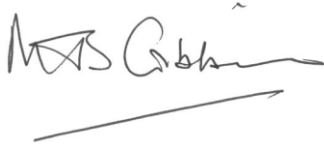
Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ²	- £0.1 million

¹ To ensure measures initially scrutinised in the previous parliament are comparable with measures scrutinised in line with the current better regulation framework, the estimated equivalent annual net cost to business for some proposals have been 'rebased'. The rebasing of the estimates ensures that they are presented in a 2014 price base year and relevant present value year for implementation. As a result, some figures in published impact assessments and RPC opinions will differ from the figures that will be used to inform the business impact target.

² For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.

Opinion: final stage - EANCB validation
Origin: domestic
RPC reference number: RPC-3352(1)-BIS
Date of implementation: by 26 May 2016

Business impact target score ¹	- £0.5 million
Small and micro business assessment	Not required (deregulatory proposal)



Michael Gibbons CBE, Chairman