

## Pubs Code Adjudicator (PCA) Levy Methodology for 2019/20

Section 63(1) of the Small Business, Enterprise and Employment Act 2015 (the Act) authorises the PCA to impose a levy on pub-owning businesses towards PCA's expenses. Section 63(5) of the Act permits the PCA to vary the amount to be paid by pub-owning businesses, to reflect the expense and time that the PCA expects to spend in dealing with matters relating to them in the application of the Code.

### Levy amount for 2019/20

The PCA obtained the Secretary of State's consent to set the levy amount for 2019/20 at £3,000,000. The levy has been raised against the six pub-owning businesses with 500 or more tied pub tenants.

The calculation for the 2019/20 levy apportionment was determined by fixed and variable elements based on:

- The fixed costs of operating the office have been apportioned on a percentage basis reflecting the number of tied pubs each of the six pub-owning businesses owned at 31 December 2018. (17%),
- The variable costs have been apportioned based on a percentage reflecting the number of arbitration cases involving each pub-owning business from 1 April 2018 to 31 March 2019. (30%).

A further step has been introduced in the process of making the levy burden on individual POBs more accurately reflect the demands placed by them on the PCA's time and resource. A third element to the existing fixed and arbitration-based levy categories focuses on PCA regulatory activity (53%) in respect of each POB.

1	Fixed costs	17%	Based on tied pub numbers as at 31 <sup>st</sup> December 2018
2	Arbitration	30%	Based on: a) the number of new arbitration cases; and b) other arbitration cases open for any time between 1 <sup>st</sup> April 2018 and 31 <sup>st</sup> December 2018
3	Regulatory activity	53%	A measure based upon our experience so far that pub numbers and arbitration cases have been a relevant predictor of the time that the PCA is likely to be involved in regulatory activity*.

\* Regulatory work can arise from a variety of sources but tends to arise from issues aired in arbitrations. There is also a relationship with the size of POB estates, so for this first year of apportioning regulatory work, using both numbers of pubs and

numbers of arbitrations was deemed the most equitable method of apportioning contributions.

The total levy contributions levied against the six pub-owning businesses range from 3.5% to 46.6% of the total levy amount. The minimum amount is £104,400 and the maximum is £1,398,150.

For this financial year, the PCA raised the 2019/20 levy in two equal six-monthly instalments from each pub-owning business. The credit (or contract liability) due to each pub-owning business arising from the 2018/19 financial year was £804,458 and this was offset against the first instalments in the proportions in which it was raised.