



Pubs Code
Adjudicator

Pubs Code: Regulation 43 Compliance report framework for pub-owning businesses

Notes on completing and submitting the compliance report

1. Timing and publication

Pub-owning businesses must provide the PCA with an annual compliance report. The first compliance report is to cover the period from the introduction of the Code on 21 July 2016 to 31 March 2018.

The full compliance report must be:

- submitted to the PCA no later than **31 July 2018**
- approved before it is submitted by the Chair of the Audit Committee (or if there is no Audit Committee, by the non-executive director responsible for carrying out its functions; or by the Chief Executive, Managing Director or equivalent)

A summary of the compliance report must be included in the pub-owning business' annual report; or if there is no annual report, published clearly and prominently on their website no later than **31 July 2018**.

2. Content of the full compliance report

The PCA requires pub-owning businesses to complete and submit their Pubs Code compliance reports for the period ending 31 March 2018 in the format contained in this document.

Please note that, while this is the required format for the first compliance report, the PCA reserves the right to vary the content and format of the compliance reporting framework in subsequent years.

The PCA may also continue to exercise its statutory powers to request further and additional information from pub-owning businesses outside the compliance reporting cycle.

3. Content of the summary compliance report

The PCA requires pub-owning businesses to publish a summary of their compliance report that **as a minimum** contains all of the same information submitted to the PCA under sections 1, 3, 7 and 8 of the full compliance report.



Pubs Code: Regulation 43 Compliance report framework for pub-owning businesses

July 2018

Introduction

From the inception of the Pubs Code ('the Code') in July 2016 and indeed from the implementation of the voluntary Industry Framework Codes in 2010, Admiral Taverns has adopted a rigorous, painstaking and detailed approach to ensure full adherence to our compliance requirements.

As part of the current process we have worked in a cooperative and collaborative manner with the PCA, the BBPA and the other large Pub Owning Businesses along with those tenant groups that we were able to engage with. We believe great progress has been made by all parties in that time but as with all new legislation there will be a period of interpretation and implementation to undergo.

This Compliance Report has been compiled following the completion of Internal Audits by qualified internal auditors in November 2017 and June 2018. The outcome of the audits was that the company was compliant.

As at the date of submission of this Compliance Report, Admiral Taverns has still to receive a referral to the Adjudicator which supports our assertion that we have met the requirements of the Code in full.

Section 1: Audit Committee Statement on Compliance

A declaration that the statutory requirements in Regulations 43(5), (7), (8) & (9) have been complied with

We confirm that

- The Chair of the Audit Committee approved the report on 11th July 2018 having been provided and reviewed the internal audit reports of November 2017 and June 2018 and been led through the annual compliance report by the Company Compliance Officer.
- A summary of the annual compliance report will be included in the company annual report.

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Section 2: Estate Summary

<i>As of 31 March 2018, total numbers of:</i>	
Pubs Code Agreements	
• Agreements contracted in to the Landlord & Tenant Act	104
• Agreements not contracted in to the Landlord & Tenant Act	476
• Short Agreements under Regulation 14	138
• Pub Franchise Agreements under Regulation 55	0
• Qualifying Investments under Regulation 56	2

Section 3: Code Compliance

Part I: Investigations

Narrative report on how the POB has co-operated with the PCA in respect of any investigations under section 53 SBEE into that POB or any combination of POBs during the reporting period. Where an investigation has concluded, the action taken by the POB as a result of that investigation.

Not applicable as Admiral has not been part of any such investigations by the PCA

Part II: Enforcement

Narrative report on the steps the POB has taken to comply during the reporting period with any enforcement measures taken by the PCA in respect of it under sections 55-58 SBEE

Not applicable

Part III: Guidance & Advice

Narrative report on the steps the POB has taken in response to any guidance issued by the PCA under section 61(3) SBEE or advice given by the PCA under section 60 SBEE during the reporting period

Regulatory Compliance Handbook

We have adjusted our processes to the extent that it was necessary to meet the requirements of the 'Best Practice' recommendations issued by the PCA in December 2017.

MRO Advice note

We believe we provide a compliant MRO agreement and do negotiate swiftly, openly and reasonably with our tied tenants. We believe the terms of the offer are consistent with the requirements of the Pubs Code and we work with our tenants where reasonable and within the terms of the offer to remove barriers to them taking out an MRO agreement if that is their preferred option. To date we have had zero referrals which we believe is a strong indicator to the reasonableness of our approach.

Part IV: Unfair Business Practices

Narrative report on the steps taken by the POB in response to any representations from the PCA during the reporting period about business practices that have been the subject of a report on avoidance to the Secretary of State under section 71A SBEE

Not applicable

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Section 4: Tied Agreements

Part I: Code Tied Agreements	
<i>During the reporting period, numbers of:</i>	
New Agreements	221
<p><u><i>Narrative report on how the POB has complied with Code pre-entry requirements.</i></u></p> <p>We recommend that all new tenants complete the industry recognised Pre-Entry Awareness Training.</p> <p>We record and can evidence the signed receipt of the Schedule 1 and Schedule 2 information by each tenant who has entered into a New Agreement. Following receipt of this written confirmation, we ensure and can evidence that suitable professional advice is taken prior to the completion of the sustainable business plan and the final negotiation of the offer.</p> <p>We ensure that all new tenants conduct a thorough inspection of the premises and walk around of the site with the BDM.</p> <p><u>Short Agreements</u></p> <p>We record and can evidence that all required information is provided to the prospective tenant in advance of them entering into their agreement.</p>	
Assignments	1
Forfeitures	6
Legal Surrenders	17
Abandonments	5
Code Rent Reviews	38
<p><u><i>Narrative report on how the POB has complied with the Code requirements to provide statutory information</i></u></p> <p>On each Rent Review we have provided a compliant version of the Schedule 2 information along with any Schedule 1 information that has not previously been provided. This can be evidenced on each occasion. This information has been provided at least 6 months before the date of each rent review. This can be evidenced.</p>	
Renewals	8
<p><u><i>Narrative report on how the POB has complied with the Code requirements to provide statutory information</i></u></p> <p>On each L&T protected renewal we have as a minimum provided the Benchmarking Information as per the requirements of the Code. In practice we provide the bulk of the schedule 1 and the same schedule 2 information as with a New Agreement.</p>	
<p><u><i>Please explain the approach you have taken to agreeing terms in renewals to deal with assessments of terminal dilapidations</i></u></p>	

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If dilapidations have been pursued then on each occasion we have attended the site to carry out a Schedule of Dilapidations at least 6 months before the expiry of the agreement. In practice for leases we write to the lessee 14 months before the expiry of their agreement to remind them of their repairing obligations and commence the dilapidations process. On a lease renewal we will work with the lessee to agree a sensible and achievable dilapidations programme of works.	
Investment Exceptions agreed under Regulation 56	3

Part II: Code Rent Assessments	
<i>During the reporting period, numbers of:</i>	
Total Rent Assessments conducted under terms of the tenancy	38
Total number of Rent Assessment Proposals requested by tenant	
• By reason of no rent review concluded in last 5 years	0
• By reason of a significant increase in price	0
• By reason of a trigger event	0
<u><i>Narrative report on how the POB has complied with the statutory Code deadlines</i></u>	
We have not received a request for a Rent Assessment arising from a rent review which has not been concluded in the last 5 years, a significant increase in price or by reason of a trigger event.	
Total number of requests for Rent Assessment Proposals rejected	0
<u><i>Narrative report on the reasons for rejecting requests for Rent Assessment Proposals</i></u>	
For clarity we did receive an MRO notice following the acquisition of the tenant's public house based upon a forecast downturn in trade due to the acquisition. Although this should have been requested as a potential trigger event we did not believe this met the criteria. In any event no formal written analysis was received.	

Part III: Renewals under the Landlord and Tenant Act 1954	
<i>During the reporting period, numbers of:</i>	
Section 25 Notices issued opposing a new tenancy on the grounds of an intention to take the pub back into occupation	0
Section 26 Notices opposed on the grounds of an intention to take the pub back into occupation	0
LTA court proceedings related to an intention to take the pub back into occupation	0
• Of which, the number of objections to a new tenancy that were upheld	0
• Of which, the number of objections to a new tenancy that were dismissed	0

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<p><u>Narrative report on:</u></p> <ul style="list-style-type: none">• <u>The preparatory work done to identify which pubs to take back into management</u>• <u>The documentation and process that is then completed to confirm the intention to take a particular pub back into management prior to service of the relevant notice</u> <p>Not applicable, as we do not have a managed house or franchised offering within the Admiral business.</p>	
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Section 5: MRO

Part I: MRO Notices	
<i>During the reporting period, numbers of:</i>	
Total number of MRO Notices received and acknowledged	
• Following receipt by a tenant of a Rent Assessment Proposal	8
• In relation to the renewal of a tenancy	2
• Requested in response to a significant increase in price	0
• Requested in response to a trigger event	1
<u><i>Narrative report on the nature of the circumstances relied upon by tenants in support of claims of trigger events</i></u>	
The tenant served an MRO notice following the acquisition of his public house by Admiral which we interpreted as a request arising from a trigger event. We did not agree with his assessment, however, and this issue was amicably resolved.	
Total number of MRO Notices accepted	9
Total number of MRO Notices rejected	2
• Following receipt by a tenant of a Rent Assessment Proposal	0
• In relation to the renewal of a tenancy	1
• Requested in response to a significant increase in price	0
• Requested in response to a Trigger event	1
<u><i>Narrative report on the reasons for rejecting MRO Notices</i></u>	
Aside from the 2 matters referred to below we have accepted all MRO notices received.	
<ol style="list-style-type: none"> 1. We rejected an MRO notice from an unlawful assignee. 2. We rejected an MRO notice received on the purchase of the site from another large pub owning business. 	
Total number Full Responses to MRO Notices issued	11
<u><i>Narrative report on how the POB has complied with the statutory Code deadlines</i></u>	
We confirm and can evidence that all MRO notices received have been swiftly acknowledged and the MRO offer has been forwarded to the tenant within 28 days of receipt of the Notice. Where a tenant has submitted an imperfect MRO notice we have immediately made contact to remedy the shortcoming such that no tenant has been negatively impacted in this way.	

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Part II: MRO Negotiations	
<i>During the reporting period, numbers of:</i>	
MRO Negotiations undertaken with tenants	9
<p><u><i>Narrative report, in order of frequency and enumerated, on which are the 10 terms most often included in a draft MRO proposed tenancy sent to a TPT who has sent an MRO Notice but not included in the executed MRO tenancy</i></u></p> <p>To date we have had one executed MRO tenancy which the tenant accepted on the original terms offered. The tenant was legally represented and minor legalistic amendments to the original lease offered were agreed.</p> <p>We agreed that the dilapidations would be incorporated within a planned scheme the tenant was undertaking and allowed the tenant flexibility as to his timings in that respect.</p>	
Times that each of the regularly challenged terms above has ultimately appeared in a completed MRO agreement (please list and enumerate)	N/A
MRO tenancies agreed	
• By a New Agreement	1
• By a Deed of Variation	0
Total number of tied settlements following MRO negotiations	
• Of which number of new tied tenancies agreed	4
• Of which number of tied rent reviews concluded	3
• Of which number of tied tenant departures	0

Part III: MRO Independent Assessment	
<i>During the reporting period, numbers of:</i>	
Total Independent Assessor appointments	
• Of which number that were appointed jointly in agreement with the tenant	0
• Of which number that were appointed by the PCA	0
<p><u><i>Please list the Independent Assessors appointed during the reporting period, and for each Independent Assessor the number of appointments.</i></u></p> <p>Not applicable</p>	
Independent Assessments challenged	<u>0</u>
Any second challenges to Independent Assessments	<u>0</u>

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Narrative reporting on the reasons for the challenging by the POB of independent assessments

Not applicable

Section 6: Other Code Reporting

<p>Part I: Code Part 10 Provisions</p> <p><i>For the reporting period, narrative reports on compliance with:</i></p>
<p><u>Regulation 46 – Insurance provisions</u></p>
<p>We purchase a block buildings insurance policy against all usual risks for the entire Admiral estate and we recharge our tenants based upon pre-agreed charges.</p> <p>In line with Regulation 46 we write out to tenants in advance of the renewal and offer them the opportunity to find suitable alternative cover which if they are able to do we will price match.</p> <p>We are not aware of any material breach of this regulation and have not been made aware of the same.</p>
<p><u>Regulation 47 – Gaming Machines</u></p>
<p>All tenants whose agreement falls within the provisions of the Pubs Code at outset are offered the choice to be tied or free of tie for machines. The rental adjustment for the different options is set out in the Schedule 2 information that is provided.</p>
<p><u>Regulation 48 – Requests for blank profit and loss templates</u></p>
<p>We have had no requests for this. However, a blank template is provided within our Code of Practice which is provided as part of the Schedule 1 information for each New Agreement.</p>
<p><u>Regulation 49 – Sale of freehold or long leasehold (including numbers)</u></p>
<p>We are not aware of any breach of this regulation and have not been made aware of the same. All tenants are made aware of the potential sale at outset along with the proposed new landlord when a sale has been exchanged.</p>
<p><u>Regulation 50 – No tenant detriment from exercising Code rights (including action in response to any finding of detriment)</u></p>
<p>We are not aware of any breach of this regulation and have not been made aware of the same.</p>
<p><u>Regulation 51 – Flow Monitoring Devices</u></p>
<p>We are not aware of any breach of this regulation and have not been made aware of the same. We confirm that a charge for breach of purchasing obligations has not been applied based upon flowmeter evidence alone.</p>

Part II: Extended Protection	
<i>During the reporting period, numbers of:</i>	
Tied pubs where title has been transferred to the ownership of a person who is not a landlord of 500 or more tied pubs	0
<p><u>Narrative report confirming that:</u></p> <ul style="list-style-type: none"> • <u>(Where applicable) the POB has informed the PCA and its tenants of any change during the reporting period to its status as a landlord of 500 or more tied pubs as required by Regulation 45</u> <p>Not applicable</p> <ul style="list-style-type: none"> • <u>The POB has in each case met its obligations under Regulation 49 and taken steps to inform the tenant of plans to sell the pub</u> <p>We confirm that we are not aware of any breach of the requirements of this regulation and have not been made aware of the same.</p> <ul style="list-style-type: none"> • <u>For each transfer, informed the PCA of:</u> <ul style="list-style-type: none"> ○ <u>The identity of the new landlord</u> ○ <u>The end date of the tenancy under which the tied pub is currently occupied</u> ○ <u>The date of the conclusion of the last rent assessment for the tied pub</u> ○ <u>The date of the next scheduled rent review for the tied pub under the current tenancy agreement</u> <p>Not applicable</p>	

Section 7: Reporting on Tenant Complaints, Code Breaches and Arbitration

Part I: Breaches of the Code identified by tied pub tenants	
<i>Narrative report on Code-related complaints by tied pub tenants during the reporting period covering:</i>	
<ul style="list-style-type: none"> • <i>The total number of complaints</i> • <i>The parts of the Code concerned</i> 	
Not applicable	

Part II: Steps taken in relation to complaints	
<i>Statement on internal procedures for handling complaints about breaches and alleged breaches of the Code</i>	
<p>All Pubs Code related complaints are reported to our Compliance Officer and the Regional Director. We commit to investigate and respond to the complaint within 2 weeks.</p> <p>If the matter remains unresolved then the matter is escalated to the relevant Director under the supervision of the Compliance Officer.</p> <p>A quarterly review of Pubs Code related complaints (where applicable) is undertaken by the Compliance Officer and his reporting Director.</p>	
<i>Narrative report on actions in response to complaints detailed in Part I covering:</i>	
<ul style="list-style-type: none"> • <i>Handling (including details of formal referrals to the PCA)</i> • <i>Outcomes (including cases unresolved at the end of reporting period)</i> • <i>Breaches upheld:</i> <ul style="list-style-type: none"> ○ <i>Internally</i> ○ <i>Following referral to PCA</i> 	
Not applicable for all areas above.	
We have not had a formal referral through the PCA and have not been made aware of any breaches of the Code by tenants with such rights.	

Part III: Self-notification of breaches	
<i>Narrative report on any cases during the reporting where the POB has self-notified the PCA of breaches of the Code (including steps taken to prevent further occurrences)</i>	
Not applicable	

Part IV: Referrals for arbitration	
<i>During the reporting period, numbers of:</i>	
Total MRO cases referred to the PCA	0

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Referrals of MRO terms on grounds that they are non MRO-compliant	0
<ul style="list-style-type: none"> Of which number where breaches of the Code were found by the PCA 	
Referrals of void or unenforceable terms under Regulation 57(2)	0
Referrals of all other non-MRO Code matters	0
<p><i>Please describe and enumerate the cases where breaches of the Code were found by the PCA</i></p> <p>Not applicable</p>	
<p><i>Please describe and enumerate all referrals relating to any Code issue on which the POB has previously been found to be in breach of the Code by the PCA</i></p> <p>Not applicable</p>	

Part V: Other complaints made by tenants

Narrative report on the nature and volume of complaints about their tenancy by tied pub tenants during the reporting period not specifically reported on elsewhere

Not applicable

Section 8: Corporate Compliance Structures

Part I: Compliance Officer

A declaration, evidenced as necessary, that the POB has met in full its duty under Regulation 42 to appoint and empower a Compliance Officer and maintained written records of training received.

Mark Brown was appointed our Compliance Officer by letter of 18th July 2016. Mark is our Head of Legal and an experienced industry solicitor with a strong knowledge of this legislation. Mark is part of the CCO group which meets regularly to share and improve understanding of this legislation and liaises with the PCA in this respect.. Mark confirms he has been given enough time to study and understand the Code, undergo relevant training sessions and discussions with internal and external colleagues and the narrow band of external providers who can usefully contribute on this subject.

Mark confirms that written records of the annual BDM training are kept on each employee's personnel file.

Part II: Business Development Managers - Training

A declaration that the POB has published – and sent the latest version to the PCA – the document required by Regulation 41(5) specifying:

- Its commitment towards the continuous professional development and improvement of its BDMs and how it proposes to fulfil that commitment referring where appropriate to relevant qualifications and training.
- The Admiral Code of Practice version 5 sets out our commitment towards the continuous professional development and improvement of our BDMs and how we fulfil that commitment.
- We confirm that all employees designated as BDMs under the Code have received annual refresher training in the Pubs Code along with appropriate periodic updates of current issues and role specific training to assist in their ongoing professional development. Records of all professional qualifications and courses undertaken are recorded on each employee's personnel file.

Narrative report confirming that:

- All BDMs in post when the Code came into force or appointed since received a copy of the Code before liaising with tied pub tenants on pub matters.
- We confirm and can evidence that all BDMs whether in post on 21st July 2016 or appointed subsequently have received a hard copy of the Pubs Code before liaising with tied pub tenants on pub matters. An on-line link is provided annually as part of the refresher training.

Schedule of BDM Code training and guidance during the reporting period including:

- outlines of the various forms of training delivered to BDMs – including whether it is delivered internally or externally; and how it is accredited
Annual Refresher training for BDMs is delivered internally by our Code Compliance Officer who is a qualified solicitor. Annual training on Schedule 2 preparation is provided by an RICS accredited surveyor. BDM training schedule is annexed.

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<p>Our Compliance Officer also attends regional BDM meetings to update BDMs on new working practices subject to PCA Advices as well as discussing Code experiences and practice.</p> <ul style="list-style-type: none"> ○ <u>confirmation that all BDMs who are responsible for conducting rent assessments have received appropriate training before doing so (including reporting on exceptions and remedial action)</u> ○ Confirmed <ul style="list-style-type: none"> ● <i>schedule of all Code updates and guidance issued to BDMs</i> <p>See BDM training schedule.</p>
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<p>Part III: Business Development Managers - Conduct</p>	
<p><u>Statement of how the POB ensures that BDMs act in a manner that is consistent with the core Code principle of fair and lawful dealing in relation to tied pub tenants.</u></p> <p>The Annual Refresher training places great emphasis on the importance of the ‘fair and lawful dealing’ principle. This is supported by our Regional Directors who also attend the training sessions and reinforce this principle through their teams. BDMs have an open access to our Code Compliance Officer to discuss code related matters but we believe this principle goes beyond the Pubs Code.</p> <p>The Admiral business ethos is that we ‘do the right thing’ to create a sustainable business for our tenants and this very much echoes the fair and lawful principle. We believe the lack of referrals and complaints about our business supports our approach.</p>	
<p><i>Confirmation of the processes in place to ensure that BDMs:</i></p> <ul style="list-style-type: none"> ● <i>make appropriate notes of discussions with tied pub tenants in connection with:</i> <ul style="list-style-type: none"> ○ <i>rent proposals</i> ○ <i>rent assessments / assessments of money payable in lieu</i> ○ <i>repairs to the pub</i> ○ <i>matters relating to the tenant’s current or future business plans</i> ● <i>provide the tenant with records of the above within 14 days of the discussion</i> ● <i>inform the tenant that they should respond to the BDM within 7 days of receiving the record if they disagree with any aspect of it.</i> <p>Our Meeting Agenda application creates a record of both the note of the meeting and the time of the email sending it to the tenant. It also highlights the 7 day response period for any challenge.</p>	
<p><u>For the reporting period, the number of challenges by tenants about the non-provision or content of a BDM record.</u></p> <p>Since the inception of the Code our BDMs have recorded over 12,500 meeting notes. We have not previously recorded the number of challenges but have received a small number of challenges as to content (less than 10 of the 12,500) and they are passed back to the BDM to re-check against any notes and clarify.</p> <p>In normal circumstances this is not necessary as we record meeting notes contemporaneously, and, therefore, the tied tenant has the opportunity there and then to give input as to the record.</p>	

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Steps taken by the POB to resolve disagreements and any consequential changes to BDM reporting protocols.

If a challenge is received within the statutory period this is passed back to the BDM to resolve. As advised above this is rare as the notes are prepared and shared immediately. However, on the few occasions that this has happened this is referred to the BDM initially to clarify, resolve and re-submit an agreed record.

If agreement was not able to be reached then this would be escalated to the Regional Director and it would be noted on the Meeting note that this was not an agreed minute.