Compliance Report

On behalf of

Punch Taverns Limited

Trading as Punch

Period:

29th August 2017 – 31st March 2018

Compliance Officer:

James Richards

Preamble

Under Regulation 43 of the Pubs Code etc. Regulations 2016 a pub-owning business must ensure that the Compliance Officer submits an annual compliance report to the Pubs Code Adjudicator relating to each financial year.

1. Compliance Statement

In accordance with Regulation 43 of the Pubs Code etc. Regulations 2016 the following report provides a detailed and accurate account of the pub-owning business' compliance with the Regulations for the period detailed above.

I hereby declare to the best of my knowledge that this report reflects a true and accurate account of the pub-owing business' compliance with the Regulations for the period detailed above.

Compliance Officer[1]:	**James Richards**
Signature:	
Date:	**30th July 2018**

[1] In accordance with Regulation 42 of The Pubs Code etc. Regulations 2016

Section 1: CEO Statement on Compliance

In the absence of an Audit Committee, the Chief Executive Officer hereby declares that the enclosed report has been reviewed and approved in accordance with Regulation 43(5) and that as part of doing so any additional material required under Regulation 43(7) has also been provided and considered. Further to this, a summary of the enclosed report is attached as per Regulation 43(8) and will be made available on the corporate website within the reporting window in compliance with Regulation 43(9).

Name:	**Clive Chesser**
Position	**Chief Executive Officer**
Signature:	
Date:	**30th July 2018**

Section 2: Estate Summary

As of 31 March 2018, total numbers of:	
Pubs Code Agreements	
• Agreements contracted in to the Landlord & Tenant Act	**563**
• Agreements not contracted in to the Landlord & Tenant Act	**361**
• Short Agreements under Regulation 14	**227**
• Pub Franchise Agreements under Regulation 55	**0**
• Qualifying Investments under Regulation 56	**0**

Section 3: Code Compliance

Part I: Investigations
N/A

Part II: Enforcement
N/A

Part III: Guidance & Advice
Following the publication of the Regulatory Compliance Handbook: complying with the principles of the Pubs Code in December 2017 the Pub owning Business (POB) fully reviewed its publican facing communications in regard to informing publicans about their Code rights. Information and signposting was improved on both the corporate website and internal online ordering/communication platform "The Buying Club". *Further to the above, any communications in relation to rent events which may present an avenue for exploring MRO were reviewed to ensure such legal rights were made clear, in addition where such communications triggered statutory deadlines this was made explicit and automatic reminders of any deadline in relation to MRO requests were put in place.* *Further consideration was give to our training schedule and company policies to ensure they remained compliant with the guidance provided within the Handbook. Annual refresher training developed to provide a focus on publican engagement and the role of the BDM.*

Part IV: Unfair Business Practices
N/A

Section 4: Tied Agreements

Part I: Code Tied Agreements *During the reporting period, numbers of:*	
New Agreements	55
Pre Entry Training: *The POB policy is that it is a mandatory requirement for all new publicans engaging with the POB to have completed the Bii PEAT certification. Further to this the POB has a 5 day Progress course for all new publicans to undergo, exemptions to this can be granted subject to the statutory exemption criteria contained within Regulation 9(3) being met.* *Sustainable Business Plan:* *All new agreements are required to have a business plan completed, business plans will only be accepted having been completed after a publican has had the opportunity to consider all of the required information detailed in Schedule 1 of the Code. The business plan is completed on a standard POB template which ensures all requirements under Regulation 10 are complied with.* *Alongside the business plan, any new agreement requires evidence that the publican has sought independent professional advice as part of competing their business plan.* *The Required Information:* *A new agreement will not be allowed to complete unless all the publican has been able to access all of the required information under Schedule 1 prior to completion of their business plan. Final checks are completed in all cases to ensure this.*	
Assignments	7
Forfeitures	20
Legal Surrenders	11
Abandonments	6
Code Rent Proposals (RAP's & RP's)	56
The POB has evolved the Rent Assessment proposals to ensure that all of the requirements of Schedule 2 are detailed in the accompanying narrative attached to a rent assessment to ensure a publican is fully informed as to how their rent is assessed. This includes detailed justification, assumptions, considerations and where a publican can access industry reports for further information. The proposal also includes a breakdown of how any unsaleable liquid is accounted for as well as any allowance for sediment in the proportion of cask products assessed.	

Renewals Proposed (RP's)	24
The POB ensures any protected renewal receives the statutory information by ensuring details on how to access such information is contained within the renewal proposal. Further to this any additional considerations at the renewal for the publican (foreseeable changes etc) are again detailed within the proposal document.	
Where a publican's agreement is coming to an end a terminal schedule of dilapidations will be instructed, Should a renewal be granted there will be an agreed schedule attached to the renewal lease with an agreed term (usually 6 months) for the publican to address their obligation.	
Investment Exceptions agreed under Regulation 56	0

Part II: Code Rent Assessments *During the reporting period, numbers of:*	
Total Rent Assessments proposed under terms of the tenancy (RAP's)	32
Total number of Rent Assessment Proposals requested by tenant	5
• By reason of no rent review concluded in last 5 years	5
• By reason of a significant increase in price	0
• By reason of a trigger event	0
The POB has a workflow system with all rent event due dates programmed into it, this generates a schedule of deadlines for service of periodic/contractual rent review proposals in accordance with the 6 month window required. *The POB have a number of agreements with a discretionary rent review which is only triggerable by the publican within 6 months prior to the 5th anniversary of the agreement and are included within the requests by reason of no rent review concluded within the last 5 years.*	
Total number of requests for Rent Assessment Proposals rejected	1
Any requests for a rent assessment proposal would only be rejected on the basis of no grounds for the request or falling outside of the statutory timescales for making such a request.	

Part III: Renewals under the Landlord and Tenant Act 1954 *During the reporting period, numbers of:*	
Section 25 Notices issued opposing a new tenancy on the grounds of an intention to take the pub back into occupation	2 of 3

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
The POB have undertaken a full estates review to assess initial thoughts on the future for each of our pubs. Those identified to take back under own occupation are reviewed ahead of the statutory window for serving s.25 notices as part of a schedule estates planning and approval meeting. This meeting will determine the final intention of the business for such properties ahead of issuing the required notices. *During the reporting period a total of 3 S.25 notices were served, 1 of these did not oppose a renewal. Of the 2 notices opposing renewal both included 'ground G'*	

Section 5: MRO

Part I: MRO Notices *During the reporting period, numbers of:*	
Total number of MRO Notices received and acknowledged	13
• Following receipt by a tenant of a Rent Assessment Proposal	9
• In relation to the renewal of a tenancy	3
• Requested in response to a significant increase in price	0
• Requested in response to a trigger event	0
1 requests received did not relate to any of the above bullet points and were therefore rejected.	
Total number of MRO Notices accepted	8
Total number of MRO Notices rejected	5
• Following receipt by a tenant of a Rent Assessment Proposal	2
• 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	0
1 requests received did not relate to any of the above bullet points and were therefore rejected.	
Total number Full Responses to MRO Notices issued	13
The POB processes all MRO requests via a workflow system which generates the respective statutory deadlines for response and issues timely reminders/escalations to ensure deadlines are adhered to.	

Part II: MRO Negotiations *During the reporting period, numbers of:*	
MRO Negotiations undertaken with tenants	**13**
The POB have only had one publican complete onto the MRO agreement, this agreement retained all the originally proposed heads of terms for the MRO agreement. The only point adjusted was the initial requirement for dilapidations to be completed prior to completion, instead allowing the dilapidations schedule to carry over as a condition of the new agreement with a fixed timescale to be addressed. A position which the POB has adopted as standard in the meantime. The standard heads of terms for the proposed MRO agreement are as follows: *Term: Equivalent to the remaining term* *Deposit: 25% of the headline rent (3 months rent)* *Rent Billing: Quarterly in advance* *Indexation: Annual RPI Indexation* *Repair: Fully Repairing and Insuring* *Rent Review: Upwards Only from base rent*	
Times that each of the regularly challenged terms above has ultimately appeared in a completed MRO agreement (please list and enumerate)	**All**
MRO tenancies agreed	
• By a New Agreement	**0**
• By a Deed of Variation	**0**
Total number of tied settlements following MRO negotiations	
• Of which number of new tied tenancies agreed	**0**
• Of which number of tied rent reviews concluded	**4**
• Of which number of tied tenant departures	**1**

Part III: MRO Independent Assessment *During the reporting period, numbers of:*	
Total Independent Assessor appointments	0
• Of which number that were appointed jointly in agreement with the	0

tenant	
• Of which number that were appointed by the PCA	*0*
None during the reporting period	
Independent Assessments challenged	0
Any second challenges to Independent Assessments	0
None during the reporting period	

Section 6: Other Code Reporting

Part I: Code Part 10 Provisions *For the reporting period, narrative reports on compliance with:*
Regulation 46 – Insurance provisions
The POB renews its insurance arrangements annually on 30th September and utilises the services of Marsh Ltd in order to do so. The POB currently purchase the following policies: - Property Damage / Business Interruption - Terrorism - Employers Liability - Public Liability - Motor Fleet - Travel - Engineering - Crime - Directors & Officers - Pension Trustee Liability The policies are all subject to their own individual terms and conditions.
Regulation 47 – Gaming Machines
In accordance with Regulation 47 the POB do not require a tied pub tenant (TPT) to purchase or rent gaming machines when renewing or entering into a new substantive tenancy or licence.
Regulation 48 – Requests for blank profit and loss templates
The POB are committed to providing the TPT with a blank template for completing a tied pub's profit and loss where any request is made in accordance with Regulation 48.
Regulation 49 – Sale of freehold or long leasehold (including numbers)
During the reporting period the POB have disposed of 39 properties, 9 of these had a TPT in occupation on a substantive agreement at the time of an event covered under Regulation 49(1) occurred. In all cases a respective letter in accordance with Regulation 49(2) had been issued.
Regulation 50 – No tenant detriment from exercising Code rights (including action in response to any finding of detriment)

In accordance with Regulation 50, the POB does not subject any TPT to any detriment on the grounds of exercising, or attempting to exercise, any of their rights under the Regulations.
Regulation 51 – Flow Monitoring Devices
In accordance with Regulation 51, the POB does not subject any TPT to any detriment, or impose any liabilities on the tenant, as a result of any reading taken from a flow monitoring device, without additional evidence in connection with the purchase and stock of alcohol at the tied pub.

Part II: Extended Protection *During the reporting period, numbers of:*	
Tied pubs where title has been transferred to the ownership of a person who is not a landlord of 500 or more tied pubs	39
The status of the POB as a landlord with over 500 tied pubs has not changed during the reporting period. *During the reporting period the POB have disposed of 39 properties, 9 of these had a TPT in occupation on a substantive agreement at the time of an event covered under Regulation 49(1) occurred. In all cases a respective letter in accordance with Regulation 49(2) had been issued.* *The POB has met all of the obligations in regard to provision of information concerning the above transfers as required by the Regulations.*	

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

Part I: Breaches of the Code identified by tied pub tenants

During the reporting period the POB have received a total of 4 complaints by TPT's regarding alleged breaches of the Code. These have all manifested themselves through referrals placed with the PCA

- *All 4 of these relate to alleged breaches under Regulation 29 concerning the MRO full response*

In addition to the above, the POB have also received 33 executive complaints from TPT's (including former TPT's) which do not directly reference the Code but could be argued to be based around the core principle of fair and lawful dealing.

Part II: Steps taken in relation to complaints

Where such complaints are received internally they will be processed via our internal Complaints Handling Process. This process is as follows:

The full complaints process is outlined in the POB Services Guide which is available to all Publicans on the website.

For escalation of complaints or complaints in relation to an alleged breach of the Pubs Code, Publicans can refer the matter to a member of the Management Board either:

- *Via email or,*
- *In writing to our Head Office*

Complaints are acknowledged and following investigation a full response is received within 10 working days.

During the reporting period, all the complaints detailed regarding alleged breaches of the Code detailed in Part I above have manifested themselves via a referral to the PCA. These have then followed the formal process as set out by the PCA.

As of the end of the reporting period the POB have received 1 final award, resolved 1 case through further meaningful negotiations and had 3 cases were awaiting a resolution during this reporting period.

The 1 final award received from the PCA upheld the initial alleged breach, this was subsequently appealed to the high court who in turn granted the right of appeal. As a result the TPT concerned entered into further meaningful negotiations and the matter became resolved via further negotiation and agreed settlement.

Part III: Self-notification of breaches
No instances during the reporting period.

Part IV: Referrals for arbitration *During the reporting period, numbers of:*	
Total MRO cases referred to the PCA	4
Referrals of MRO terms on grounds that they are non MRO-compliant	4
• Of which number where breaches of the Code were found by the PCA	1
Referrals of void or unenforceable terms under Regulation 57(2)	0
Referrals of all other non-MRO Code matters	0
During the reporting period there has been one case where the PCA deemed there to be a breach of the Code. This instance relates to the requirement under Regulation 32 and a failure to provide a full response. The POB had already lodged a court appeal on this award but had not requested a stay for the award. Once informed of this requirement the stay was applied for and granted.	
There are no referrals relating to any Code issue on which the POB has previously been found to be in breach of the Code by the PCA.	

Part V: Other complaints made by tenants
Of the 33 complaints received that were not directly relating to the Code. Of which: *Ex tenant x 11* *Current Publican x 22* *These complaints covered alleged breaches of our Services Guide which included – Surrender and settlement of account, repair obligations and financial support*

Section 8: Corporate Compliance Structures

Part I: Compliance Officer
The POB hereby declares that it has met in full its duty under Regulation 42 to appoint and empower a Compliance Officer and has full access to training records for all employee's. Further to this, the Compliance Officer's contact details are readily available on the corporate website should any TPT require.

Part II: Business Development Managers - Training
In accordance with Regulation 41(5) the POB hereby declares to publishing a document 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. A copy of this document is readily available via the corporate website.
The POB can confirm that all BDM's already in post at the commencement of the Regulations or joining since received a copy of the Regulations prior to engaging with TPT's. Further to this a copy of the Regulations is readily available on the internal systems as well as via the corporate website.
During the reporting period any new BDM's joining the business would undertake Pubs Code training and be issued with internal guides on processes and policies as well as publican facing literature to assist informing publicans about their rights. All company employees are scheduled to undertake the annual Pubs Code refresher training commencing from April 2018.Schedule of BDM Code training and guidance during the reporting period including: *Any individuals within the business who are responsible for conducting or signing off rent assessments are required to be fully accredited members of the RICS.* *Schedule of Code updates and Guidance issued to BDM's:* *June 2016 – Initial Pubs Code training* *July 2016 – Initial Publican information brochure* *October 2016 – POB Internal Pubs Code Guide* *June 2016-April 2017 – Ad-hoc Pubs Code updates/Experiences to date* *April 2017-July2017 – Annual Pubs Code refresher training and test* *August 2017 – Pubs Code 1 year on update* *August 2017-March 2018 – Ad hoc Pubs Code updates/Experiences to date* *February 2018 – Operations Pubs Code overview training* *April 2018 – Revised Publican Information brochure* *April 2018 – July 2018 – Annual Pubs Code refresher training and test*

Part III: Business Development Managers - Conduct	
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 through ensuring that the principles of the Code are embedded in all ways of working. The commitments we make on how we will work with TPT's is outlined in our Services Guide which is available on the Corporate website.	
The POB has a company policy for completing visit records whenever any employee classified as a BDM engages with a TPT concerning any of the following topics: ○ *rent proposals* ○ *rent assessments / assessments of money payable in lieu* ○ *repairs to the pub* ○ *matters relating to the tenant's current or future business plans* *The POB actively make our TPT's aware of their right to receive copies of such notes and the timescales in which to expect these. We are yet to receive a complaint regarding non-receipt. Periodic internal compliance reporting takes place in regards to time taken for competing visit records in accordance with company policy with any breaches reported to the HR function.* *The current system used by the POB automatically sends a copy of the visit record to the publican either by email or hard copy post, the POB policy is for all Visit records to be completed within 24 hours of the visit taking place, ensuring both that the Pubs Code deadline is easily achieved but also the information detailed remains fresh and accurate to recall.* *Alongside the copy of the visit record a cover letter is included informing the TPT of their right to respond within 7 days regarding ay disagreement concerning the visit record provided.*	
For the reporting period, the number of challenges by tenants about the non-provision or content of a BDM record.	N/A
The above information is not collated; however, we are not aware of any instances of visit records not being received and every visit record provided to our publicans includes a cover letter informing them of their right to challenge content within 7 days of receipt. Any challenges concerning content are dealt with on a case by case basis and resolved between the publican and BDM concerned by issuing amended meeting notes.	