



Pubs Code
Adjudicator

RESPONSE 3





Pubs Code
Adjudicator

Guidance: Accounting for duty paid on alcohol and volumes of unsaleable draught products in Pubs Code forecast profit and loss statements

Consultation under section 61(4) of the Small Business, Enterprise and Employment Act 2015

Response Form



Annex C: Response Form

Name: [REDACTED]

Organisation (if applicable): Admiral Taverns

Address: Steam Mill Business Centre, Steam Mill Street, Chester, CH3 5AN

Email: [REDACTED]

Please tick the box below which best describes you as a respondent to this consultation:

Pub-owning business with 500 or more tied pubs	<input checked="" type="checkbox"/>
Tied pub tenant	<input type="checkbox"/>
Interest group, trade body or other organisation	<input type="checkbox"/>
Other (please describe)	

Accounting for Duty Paid

Question 1: Do you believe that these proposals will ensure that tied pub tenants are fully informed of the duty that has been paid on the alcohol supplied to them under their tied agreement?

The requirement to provide details of alcohol duty paid goes beyond the requirements of Schedule 2 which requires only details of the volume of alcohol on which duty has been paid (dutiable volume). We do not believe the provision of duty paid information has any benefit for the TPT and query the wording of the Consultation.

We do though support the proposals referenced in Paragraph 6.3 and believe they will allow TPTs to be 'better' informed of the duty paid/dutiable volume on the alcohol supplied to them. However, there may be instances where smaller brewers pay reduced rates of duty which tenants may not be aware of. It is noted that the proposals do replicate some existing best practices within the POBs.

Consideration should be given that there may be practical difficulties in including the duty paid/dutiable volume information on the price list in a workable and practical document. While we would accept this as deemed best practice, it should also be sufficient that this information is provided to the TPT even if it is in separate documents.

It is also not realistic to list seasonal beers on an annual basis as the range will change, it should be sufficient if the duty paid/dutiable volume is provided to the TPT at the appropriate juncture.

We support the proposal to update and review any changes in the published duty paid/dutiable volume information annually. Given the number of brewers whose cask products we stock we believe it would be impractical to update more regularly. The quality of this information will always be dependent on the accuracy of the information provided from the brewers.

With reference to Paragraph 6.4. Admiral Taverns is not a brewing POB.

However, we believe this paragraph goes beyond the scope of this consultation and is a matter for HMRC. It should be noted that the majority of the cask products we purchase are through brewers who are not POBs for the purpose of this consultation or the Pubs Code. It would, therefore, seem to make little sense to label cask products only provided from Marstons, Greene King and Heineken if this was not to be more widely applied.

Question 2: If not, please explain what additional or different approaches you think would ensure compliance with Pubs Code requirements.

We believe we are already compliant with the requirements of the Pubs Code and the proposals within the Consultation are creating a best practice standard.

Question 3: Can you foresee any unintended ways in which these proposals might have a detrimental effect on tied pub tenants? If so, how might such effects be mitigated?

The Consultation proposals create a risk that smaller brewers who may not be able (or required) to provide duty paid information may become marginalised and create reduced consumer choice.

In all aspects of this Consultation, the POBs need suitable time to put any new proposals into effect. The lack of any implementation period following the final approval of the Pubs Code by Parliament created unnecessary issues for all parties. Even if the best practice recommendations arising from the Consultation were publicised at the end of January 2019, to achieve full compliance by the 1st April 2019 deadline will create unnecessary confusion, conflict and problems.

We believe the PCA should give consideration that all proposed actions from the Consultation should come into effect from 1st June 2019.

Accounting for Waste

Question 4: Please indicate whether you agree with the proposal to account for sediment and operational waste separately.

We support the PCA proposal to split sediment and operational wastage for the purposes of the P&L. Indeed, if this proposal can highlight to TPTs the importance of focussing on the different aspects of wastage and maximising their yields then we would see this as a positive even if the net effect on the P&L remains unchanged.

We are unclear on the specific requirements set out in the Consultation in relation to Operational Wastage.

We believe that the (apparent) wording of Paragraph 7.12, if it requires operational waste to be displayed on a category by category basis on the P&L, is unnecessary and goes beyond the requirements of the Schedule 2 5(f) which references an *estimate figure* ..where that figure has not been accounted for in the gross profit margin. The emphasis being on the single figure.

This is the one key aspect of our reading of the Consultation document that we believe adds little benefit to the TPT and creates considerable and unnecessary complexity for the POB with zero impact on the outcome of the P&L. We also fail to see how this categorisation of operational waste benefits the TPT in any meaningful manner.

We believe it wholly appropriate to show the impact of operational wastage as one figure calculated after sediment wastage has been removed. The deduction applied for operational wastage would be based upon a bespoke assessment of active beer lines on an FMT basis and taking into account approximate line lengths for the individual pub (such information to be displayed on the P&L). It is likely that such an assessment will result in theoretical yields lower than the actual pouring yields that evidence suggests most TPTs do achieve.

Question 5: If not, please explain your objections.

See response to question 4 above.

Sediment Waste

Question 6: Do you believe that these proposals will ensure that tied pub tenants have a clear and consistent approach to information about the volume of cask ales supplied under their agreement that will be unsaleable for reasons of sediment waste?

Yes. The proposals are sensible, workable and achievable. It is our current intention to use a consolidated approach to achieve the dutiable volume figure applied to cask products on our P&Ls. This approach will take account of any site specific variances.

We believe that the requirement set out in Paragraph 7.8b should be, to give consideration to the duty paid figures under paragraph 5c of Schedule 2 and to be 'not less than the historic figures' if all other circumstances remain broadly the same. However, it is very possible that the site has changed operational focus in the intervening period and the *not less than* approach could make little sense.

Question 7: If not, please explain what additional or different approaches you think would ensure compliance with Pubs Code requirements.

We believe we are already compliant with the requirements of the Pubs Code and the proposals within the Consultation are creating a best practice approach which we support subject to the comments made.

Question 8: Can you foresee any unintended ways in which these proposals might have a detrimental effect on tied pub tenants? If so, how might such effects be mitigated?

The proposals do bring additional complexity into the P&L rent calculation which is disproportionate in the context of the overall assessment. This can create greater confusion for the little benefit realised. What is important is that TPTs are aware of the impact of wastage on their business and not the very detailed analysis in the P&L of approximations of relatively small costs.

Operational Waste

Question 9: Do you believe that these proposals will ensure that tied pub tenants have clear and consistent information about the volume of draught products supplied under their agreement that will be unsaleable for reasons of operational waste?

As referenced in the response to Question 4, we believe it is unnecessary for operational waste to be displayed on a category by category basis on the P&L. This goes beyond the requirements of the Schedule 2 5(f) and is of no real benefit to the TPT adding unnecessary complexity for all parties.

We believe it appropriate to show the impact of operational wastage as one figure calculated after sediment wastage has been removed. The deduction applied for operational wastage would be based upon a bespoke assessment of the FMT lines and line length of the individual pub (such information to be displayed on the P&L).

Question 10: If not, please explain what additional or different approaches you think would ensure compliance with Pubs Code requirements.

We believe one single figure for operational waste is sufficient with additional information showing the number of draught lines and the amount of wastage per line allowed for.

Question 11: Can you foresee any unintended ways in which these proposals might have a detrimental effect on tied pub tenants? If so, how might such effects be mitigated?

We do not believe the increased level of complexity of multiple lines adds anything to the P&L but complexity and potential for confusion.

This also creates an unnecessary and increased administrative burden on the POB and those producing the P&L whose resource can be spent in more beneficial ways for the TPT and the mutual interests.

In this area in particular, if the P&L model is to be significantly changed and the approach to its preparation amended, there is a need for time for POBs to adjust models, train employees and where necessary re-produce and re-circulate existing P&Ls. The deadline of 1st April 2019 is unnecessarily tight for such changes. We believe this should in any event be extended to 1st June 2019.

Training and Support

Question 12: Do you have any comments on the proposed approach to access to training for tied pub tenants?

We support all proposals to develop TPTs' understanding of their business and that training opportunities should be made available at induction and on a refresher basis.

However, we believe that any requirement for a TPT to undergo such training should be dependent on their experience and by agreement with the TPT.

Question 13: Do you have any comments on the proposed training requirements in respect of BDMs?

We support this proposal.

Given the specific P&L based focus of the Consultation, we believe that additional training in this area should extend only to those deemed to be BDMs under the Code who have an active role in the preparation, presentation and explanation of the P&L to the TPT.

Office of the Pubs Code Adjudicator

This document can be accessed at www.gov.uk/pca

If you require this information in an alternative format or have general enquiries about the Pubs Code Adjudicator and its work, contact:

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