



Pubs Code  
Adjudicator

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

September 2020

## **Notes on Submission and Publication**

**As per Regulation 43(2) of the Pubs Code, pub-owning businesses should submit their full compliance report to the Office of the Pubs Code Adjudicator no later than 31<sup>st</sup> July 2020.**

**Sections 1, 3, 7 and 8 are Statutory Requirements.**

**In addition to the minimum statutory publication requirements in Regulations 43(8) and (9) of the Pubs Code, pub-owning businesses should publish the full compliance report on their company website no later than 30<sup>th</sup> September 2020.**

**POBs should confirm in relation to which undertakings the report is submitted and where necessary the steps taken to ensure compliance within those undertakings**

*References throughout to 'Regulations' are to the Pubs Code etc Regulations 2016*

*References throughout to 'SBEEA' are to the Small Business, Enterprise and Employment Act 2015*

***Pub-owning businesses are reminded that compliance remains the duty of the POB at all times and that they should therefore be transparent in their dealings and where inconsistencies arise explain in full. Silence on the part of the PCA in response to submission of the Compliance Report should not be understood to be an endorsement of the POB's approach to compliance.***

### **Section 1: Audit Committee Statement on Compliance**

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

In accordance with the statutory requirements set out in Regulations 43(5), (7), (8) & (9) of The Pubs Code etc. Regulations 2016, Star Pubs & Bars confirms that prior to submission this report has been approved by Lawson Mountstevens as Managing Director, Star Pubs & Bars, Heineken UK.

This approval is supported by the provision and evaluation of reporting and recording of information to demonstrate compliance with the Code.

Star Pubs & Bars does not produce an annual report but a copy of this compliance report will be available on the Star Pubs & Bars website following submission on 30<sup>th</sup> September 2020.

**Section 2: Tied Estate Summary**

As of 31 March 2020, total number of Pubs Code	<b>1895</b>
Total acquisitions since 31 March 2019	0
Additional tied pubs (that were already owned) since 31 March 2019	130
Total disposals since 31 March 2019	196
<ul style="list-style-type: none"> <li>Of which were to another Pub Owning- Business (POB)</li> </ul>	134
<ul style="list-style-type: none"> <li>Of which were sold to a person who is not a landlord of 500 or more tied pubs</li> </ul>	26
<ul style="list-style-type: none"> <li>Of which were permanently closed or directly disposed for other use [e.g. residential; other commercial]</li> </ul>	36
<ul style="list-style-type: none"> <li>Pubs no longer tied (but still owned) since 31 March 2019</li> </ul>	142
<ul style="list-style-type: none"> <li>Tied pubs taken into management within the Pub-Owning Business</li> </ul>	0
<p><i>Narrative report confirming that:</i></p> <ul style="list-style-type: none"> <li><i>(Where applicable) the POB (and relevant undertakings) has properly 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</i></li> <li><i>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 and extended protection provision if relevant</i></li> <li><i>For each transfer, informed the PCA of:</i> <ul style="list-style-type: none"> <li><i>The identity of the new landlord</i></li> <li><i>The end date of the tenancy under which the tied pub is currently occupied</i></li> <li><i>The date of the conclusion of the last rent assessment for the tied pub</i></li> </ul> </li> </ul> <p><i>The date of the next scheduled rent review for the tied pub under the current tenancy agreement<sup>1</sup></i></p> <ul style="list-style-type: none"> <li>Star Pubs &amp; Bars 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</li> <li>Star has in each case met its obligations under Regulation 49 and taken steps to inform the tenant of plans to sell the pub</li> </ul>	

<sup>1</sup> This information is required to enable the PCA to track when extended protection will end.

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As of 31 March 2020, total number of Pubs Code Agreements	1895
Of total Pubs Code Agreements, how many are,	
• Agreements contracted into the Landlord and Tenant Act 1954	<b>1344</b>
• Agreements not contracted into the Landlord and Tenant Act 1954	<b>245</b>
• Short Agreements under Regulation 14	<b>246</b>
• Tenancy at Wills (TAW's) in occupation for a period of 12 months or more	<b>60</b>
• Pub Franchise Agreements under Regulation 55	<b>0</b>
• The subject of a qualifying Investment under Regulation 56	<b>107</b>

### Types of Agreements

*Narrative report listing all the different categories of agreements (current and historic) within the POB's tied estate, a schedule of their main characteristics (e.g. lease or tenancy; duration; repairing obligations), whether these agreements sit inside or outside of the Pubs Code and how many tenants fall within each type of agreement.<sup>2</sup>*

The table below shows a breakdown of the live agreement types, the number of each of the agreements within the estate and if they sit inside or outside of the Pubs Code:

Agreement Type	Frequency	Inside / Outside Code
Business Start Up	74	Inside
3/5 year agreement	125	Inside
FRI	240	Inside
TMA	303	Depends if < or > 12 months
Rolling agreements	443	Inside
Punch Agreements	706	Inside
Management Agreements	3	Inside
Agreements other acquisitions	1	Inside
Closed	131	Outside
Just Add Talent	133	Outside

The Star Pubs & Bars estate is made up of many agreements comprising a mixture of legacy Star agreements and agreements inherited at acquisition. Star Pubs & Bars acquired over 50 lease types as part of the acquisition of the Punch estate in 2017.

<sup>2</sup> This information is required to give the PCA a detailed picture of the size and shape of the regulated tied sector. It is being requested as part of the compliance reporting framework to consolidate and reduce the administrative requirements placed on POBs.

The characteristics of the current agreements offered by Star Pubs & Bars are:

- Business Start Up
  - 3 year term
  - Contracted out of the Landlord & Tenant Act 1954
  - No rent review or annual indexation increases
  - Internal Repairing
  - Non Assignable
  - Termination on 28 days' notice from either party
  - Covered by Pubs Code
- 5 Year Rolling Tenancy Agreement (Tenancy)
  - 5 year term
  - Landlord & Tenant Act 1954 Protected
  - Rent review every 5 years, no annual indexation increases
  - Non Assignable
  - 90 day cooling off period from the start of the lease
  - Covered by Pubs Code
- Full Repairing and Insuring Agreement (Lease)
  - 10 years +, Assignable after two years
  - Landlord & Tenant Act 1954 Protected
  - Rent review every 5 years, no annual indexation increases
  - Internal & External repairs
  - 90 day cooling off period from the start of the lease
  - Covered by Pubs Code
- Management Agreement
  - 3 year term
  - Contracted out of the Landlord & Tenant Act 1954
  - Terminable by the tenant at any time on 14 days' notice
  - Internal repairs
  - Covered by Pubs Code
- Temporary Management Agreement
  - Tenancy at will
  - Internal repairs
  - Pubs Code coverage dependent upon length of occupation
- JAT
  - Operator is granted a licence to occupy with no fixed term
  - Property is managed by the operator as an independent contractor
  - Star provides all equipment, supplies and contracts at its own cost
  - Star is responsible for repairs
  - Operator is paid a percentage of the revenue
  - Terminable at any time by the operator giving notice
  - Not covered by the Pubs Code

**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 SBEEA 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.*

On 10<sup>th</sup> July 2019 the PCA launched an investigation to consider whether, and if so how, Star has failed to comply with the Pubs Code by using unreasonable stocking terms in certain of its proposed MRO tenancies and what impact any failure to comply has had on Star's tenants.

In the period since the investigation was launched, Star has co-operated with the PCA in terms of responding to a number of evidentiary requests made by the PCA in terms of Disclosure Notices.

As of 31<sup>st</sup> March 2020 the investigation remained ongoing.

**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 SBEEA.*

*If none – enter N/A.*

N/A

**Part III: Guidance and Advice**

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

Star Pubs & Bars is committed to the Pubs Code, both in word and spirit. We aim to work transparently and collaboratively with our tied pub tenants. We have listened and reflected learning in our processes, correspondence and ways of working.

Star Pubs & Bars is committed to openly sharing information about the Pubs Code with our tenants and our commitment to this is shown by signposting information at all stages of the process.

Whilst minimum requirements are laid out within the Pubs Code, Star Pubs & Bars in a number of instances goes beyond the legislation in our Code of Practice 'Working with Star' commitments. We will continue to review and update our ways of working on a regular basis. I set out below the summary of our response to the publications issued during the reporting period:

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<b>PCA Guidance / Advice</b>	<b>Date Published</b>	<b>Summary</b>	<b>Star's Action</b>
Code Compliance Officer Information	9 March 2020	Information about the role of the Code Compliance Officers including individual names and contact details for each pub company.	This was an update re contact details of Code Compliance Officer – Star's information had not changed.
Regulatory Compliance Handbook: Market Rent Only Proposals	20 November 2019	Sets out steps that a pub-owning business must take each time it prepares and issues a proposal for a Market Rent Only tenancy to one of its tied pub tenants.	Star reviewed process to ensure compliance. Introduction of compliance declaration with every proposal approved by the Code Compliance Officer.
Rent Assessments and Rent Assessment Proposals	20 November 2019	Information on rent assessments and rent assessment proposals.	Tenant Information – reviewed to ensure reflected Star's ways of working
Market Rent Only Rights	20 November 2019	Information on Market Rent Only rights.	Tenant Information – reviewed to ensure reflected Star's ways of working
What Tied Pub Tenants need to know about Market Rent Only rent and Independent Assessors	31 July 2019	Information on negotiating the Market Rent Only rent.	Tenant Information – reviewed to ensure reflected Star's ways of working
Getting Help and Support with the Pubs Code and Arbitration	31 July 2019	Information and support on the Pubs Code and arbitration.	Tenant Information – reviewed to ensure reflected Star's ways of working
Advice notes; Guidance; Regulated Pub-Owning Businesses	Updated on 10 June 2019 (originally published 7 December 2018)	Information on Regulatory Compliance Handbook, Pubs Code compliance reports, advice notes, statutory guidance and Market Rent Only data.	Update to previous publication – reviewed to ensure reflected Star's ways of working
PCA Advice Note: Taking the MRO option – Tied rent considerations	7 June 2019	Advice on section 60 of the Small Business Enterprise and Employment Act 2015.	Review of ways of working
Information for Tenants	Updated on 25 April 2019 (originally	Information on Arbitration awards,	Tenant Information – reviewed to ensure

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	published 13 December 2018)	Code Compliance Officer information, what tied tenants should expect and the Tied Tenant Survey 2017.	reflected in Star's policies and ways of working
Pubs Code Adjudicator Guidance: Beer Waste and Duty	10 April 2019	Information of the Accounting in Pubs Code Schedule 2.	Reviewed to ensure compliance – changes to information given to tenants. Part of large scale project to implement a new rent model into Star with a temporary process introduced until new model ready

**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 SBEEA.*

*If none – enter N/A.*

Star Pubs & Bars has not been subject to any representations from the PCA about business practices that have been the subject of a report on avoidance to the Secretary of State under section 71A SBEEA.



**Section 4: Tied Agreements**

<b>Part I: Code Tied Agreements</b>	
<i>During the reporting period, numbers of:</i>	
New Agreements	352
<p><i>Narrative report on how the POB has complied with Code pre-entry requirements in relation to new tenants.</i></p> <p>Pubs available for let are advertised on the Star Pubs &amp; Bars website including key information that a lessee requires to make an informed choice about taking a pub. This includes, but is not limited to, the information set out in Schedule 1 of the Code.</p> <p>An applicant will complete an online application form which is reviewed by the Star Pubs &amp; Bars recruitment team. This team will then hold a first round telephone interview. If successful a second stage interview will be held with the Business Development Manager (BDM).</p> <p>The applicant must visit the pub, review all information provided and take professional advice before completing a business plan. This plan will be reviewed before any formal offer is made. The offer will be made in a Heads of Terms document, the content of which will be discussed at a meeting with a Star Pubs &amp; Bars representative.</p> <p>Star Pubs &amp; Bars advises all lessees to complete appropriate industry training i.e. the Pre-Entry Awareness Training (PEAT) provided by the BII. Star Pubs &amp; Bars have also developed 'Inside Knowledge', a 5 day residential course which all applicants, unless they fulfil a strict waiver criteria, must attend prior to taking on a lease.</p> <p>Once an applicant has fulfilled this criteria the lease will be instructed. All applicants must use a solicitor to complete the lease and once complete the lessee will receive a copy for their records.</p>	
Assignments	24
Forfeitures	2
• Of pre-Pubs Code tenancies	0
• Of tenancies granted since the Pubs Code came into force	2
<p><i>Breakdown of how many Forfeitures were for tenancies of:</i></p> <ul style="list-style-type: none"> <li>• <i>Less than 1 year</i></li> <li>• <i>between 1-2 years</i></li> <li>• <i>between 3-5 years</i></li> <li>• <i>6 years and older</i></li> </ul> <p>Pub 1 – 5 year agreement with effect from 20<sup>th</sup> November 2017                  Pub 2 – 10 year agreement with effect from 28<sup>th</sup> February 2017</p>	

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<i>Narrative report on reasons for forfeiture.</i>	
<p>The decision to commence forfeiture proceedings will only be made in line with the Star credit policy. This will occur when other alternatives have been explored but the issues have not been resolved. Forfeiture is most often started for non-payment of rent but may also be for other significant lease breaches.</p>	
Section 146 notices issued	12
<i>Narrative report/breakdown of the process and/or procedures followed before and following issuing a Section 146 notice.</i>	
<p>Star's Estates team are responsible for instructing solicitors to serve section 146 notices. This action will only be taken when negotiations and discussions have been unable to satisfactorily resolve an identified breach of agreement.</p> <p>Star will withdraw the notice if the breach is remedied. However, in circumstances where the issue cannot be resolved further legal action may follow.</p> <p>Section 146 notices are served for breach of covenant issues relating to, but not exclusively to, rent, repairs and buying out of tie.</p>	
Legal Surrenders ( <i>where the tenant has surrendered their agreement and left the pub and <b>not</b> instances of 'surrender and regrant'</i> ).	76
<i>Narrative report on the reasons for these Legal Surrenders.</i>	
<p>A legal surrender is negotiated with a tied pub tenant to bring the legal agreement to an end prior to the expiry date. This can be for a number of reasons including, but not limited to, debt, change in lessee circumstances e.g. divorce, illness etc., or the tenant simply not wishing to continue with their lease.</p>	
Abandonments	12
Renewals	20
<i>Narrative report on how the POB has complied with the Code requirements to provide statutory information.</i>	
<p>Star Pubs &amp; Bars will write to the lessee 12 months before the expiry date to inform them that they have an upcoming renewal date. The letter sets out the rights of the lessee and directs them to the Pubs Code Adjudicator website for further information.</p> <p>When inspecting the pub for the purposes of renewal the Estates Manager will explain to the lessee their rights of both renewal and Pubs Code.</p> <p>Seven months before the renewal date the Landlord's section 25 notice is served. A renewal pack is issued containing:</p> <ul style="list-style-type: none"> <li>• Section 25 notice and covering letter – including information for the tenant on their MRO rights, process and timescales</li> <li>• Shadow Profit and Loss</li> <li>• Signpost and link to PCA website</li> <li>• Signpost and link to the Star Pubs Code FAQs on website</li> </ul>	

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<p><i>Please explain the approach the POB has taken to agreeing terms in renewals to deal with assessments of terminal dilapidations.</i></p> <p>A dilapidations survey is undertaken by a suitably qualified professional at least 12 months before the contractual lease expiry.</p> <p>The costed survey is provided to the pub and a Star maintenance surveyors will meet on site with the lessee to discuss the schedule and agree a plan.</p> <p>Upon confirmation from the lessee that the works have been undertaken, or within a suitable time period a re-inspection will occur to confirm the works have been completed.</p> <p>Where the tied pub tenant has opted to take an MRO lease Star Pubs &amp; Bars ensures that dilapidations is not a barrier to taking an MRO agreement. Rather than having to complete the dilapidations before changing agreement the lessee now has until the first rent reviews (5 years), or end of the agreement (if earlier) to comply.</p>	
Investment Exceptions agreed under Regulation 56	63
<p><b>Part II: Code Rent Proposals &amp; Rent Assessment Proposals</b></p> <p><i>During the reporting period numbers of:</i></p>	
Total number of Rent Proposals and Rent Assessment Proposals in connection with a contractual review	275
<p><i>Narrative report on how the POB has complied with the Code requirements to provide statutory information.</i></p> <p>Star Pubs &amp; Bars issues the statutory information via our Pub Support team – working instructions and checklists ensure that the correct information is provided. All correspondence on these matters being sent to a tied pub tenant will be approved by the Estates Manager for the pub. If legal notices are to be served this will be done via Star’s legal advisors.</p>	
Total number of Rent Assessment Proposals requested by tenant	10
RAPs requested by reason of no rent review concluded in last 5 years	1
RAPs requested by reason of a significant increase in price	0
RAPs requested by reason of a trigger event	0
<p><i>Narrative report on how the POB has complied with the Code requirements to provide statutory information.</i></p> <p>Star Pubs &amp; Bars issues the statutory information via our Pub Support team – working instructions and checklists ensure that the correct information is provided. All correspondence on these matters being sent to a tied pub tenant will be approved by the Estates Manager for the pub. If legal notices are to be served e.g. Section 25 notices, this will be done via Star’s legal advisors.</p>	
<p><i>Narrative report on how the POB has complied with the statutory Code deadlines.</i></p> <p>Star Pubs &amp; Bars has clear reporting in place to ensure that timescales and deadlines are met. These are produced by the Pubs Support team and form part of the day to day working of the Estates Managers. They are reviewed regularly with the Heads of Estates and Compliance Manager.</p>	

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Total number of requests for Rent Assessment Proposals rejected	10
<i>Narrative report on the reasons for rejecting requests for Rent Assessment Proposals.</i> The requirements set out within the Pubs Code regarding such requests had not been met.	

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<b>Part III: Renewals under the Landlord and Tenant Act 1954 (LTA)</b>	
<i>During the reporting period numbers of:</i>	
Section 25 Notices issued opposing a new tenancy	1
Section 25 Notices issued proposing a variation of the terms	45
Section 26 Notices opposed	0
Section 26 Notices unopposed	0
<p><i>Narrative report on: -</i></p> <ul style="list-style-type: none"> <li>• <i>Which grounds were relied upon to oppose the s.25 and s.26 renewals</i></li> <li>• <i>How many notices were unopposed by the tenant</i></li> <li>• <i>How many Section 25 notices were opposed by the tenant</i></li> <li>• <i>What is the current status of these cases.</i></li> </ul> <p>For pub 1 Star Pubs &amp; Bars relied on grounds (a) and (g) of section 30 (1) of Landlord and Tenant Act 1954. These relate to obligations of repair and maintenance to the property and the landlord's intention to reoccupy the premises for the purposes of operating a business.</p> <p>Star Pubs &amp; Bars did not oppose any Section 25 notices</p> <p>Star Pubs &amp; Bars has not received any Section 26 notices</p> <p>The current status of Pub 1 is the tenant has decided they wish to leave early and a surrender has been agreed. This is planned to take place in September.</p>	
LTA court proceedings where the POB relied in whole or in part on an intention to take the pub back into occupation	0
<ul style="list-style-type: none"> <li>• Of which, the number of objections to a new tenancy that were upheld</li> </ul>	0
<ul style="list-style-type: none"> <li>• Of which, the number of objections to a new tenancy that were dismissed</li> </ul>	0
<p><i>Narrative report, to include: - The timeline the POB follows.</i></p> <ul style="list-style-type: none"> <li>• <i>The preparatory work done to identify which pubs to take back into management, including who/what body is responsible for making any relevant decisions and how that decision is made.</i></li> <li>• <i>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.</i></li> </ul> <p>Every year Star undertakes an Estates review – this looks at the strategy for each pub within the estate. This will identify opportunities for capex, disposal and the optimum operating model.</p> <p>It is during this review that a pub will be initially identified as a possible Just Add Talent outlet by the regional team responsible for the pub. If the strategy proposed by the region includes the service of a hostile section 25 notice this must be approved by the Commercial Review Group.</p>	

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The intention to take back the pub will be discussed with the tied pub tenant and the formal paperwork will be served by Star's legal advisors.	
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<b>Part IV: Other contractual renewals (where applicable)</b>	
<i>During the reporting period, numbers of:</i>	
Tenants who exercised a contractual right to renew their tenancy	0
• Of which, the number of these to which the POB consented	N/A
• Of which, the number of these that were opposed by the POB	N/A
Total number of contractual renewals	0

**Section 5: MRO**

<b>Part I: MRO Notices</b>	
<i>During the reporting period, numbers of:</i>	
Total number of MRO Notices received and acknowledged	70
*61 valid proposals and 9 invalid	
<ul style="list-style-type: none"> <li>Following receipt by a TPT of a Rent Assessment Proposal</li> </ul>	46 valid 5 invalid
<ul style="list-style-type: none"> <li>In relation to the renewal of a tenancy</li> </ul>	15 valid 4 invalid
<ul style="list-style-type: none"> <li>Requested in response to a significant increase in price</li> </ul>	0
<ul style="list-style-type: none"> <li>Requested in response to a trigger event</li> </ul>	0
<p><i>Narrative report on the nature of the circumstances relied upon by tenants in support of claims of trigger events (from business cases received from tenants).</i></p> <p>Star Pubs &amp; Bars have not received any notices in relation to trigger events</p>	
Total number of MRO Notices accepted	61
Total number of MRO Notices rejected	9
<ul style="list-style-type: none"> <li>Following receipt by a tenant of a Rent Assessment Proposal</li> </ul>	5
<ul style="list-style-type: none"> <li>In relation to the renewal of a tenancy</li> </ul>	4
<ul style="list-style-type: none"> <li>Requested in response to a significant increase in price</li> </ul>	0
<ul style="list-style-type: none"> <li>Requested in response to a trigger event</li> </ul>	0
<p><i>Narrative report on the reasons for rejecting MRO Notices.</i></p> <p>Notices are rejected primarily for not being submitted within the timeframes set out in the Pubs Code. Alternatively they may be in an incorrect format – the tenant will however be notified of the error and given the opportunity to resubmit if appropriate.</p> <p>In some cases Star Pubs &amp; Bars do not believe there to be a valid reason for the submission of the notice(s).</p>	
Total number of MRO Notices not rejected and withdrawn by the tenant	2
<p><i>Narrative report on the reasons for withdrawal of MRO Notices.</i></p> <p>The tenants have not provided Star Pubs &amp; Bars with the information as to why they did not pursue their MRO options.</p>	
Total number of MRO Proposals issued	57*

\*Star completed 2 self-referrals for MROs that were unable to be issued during the Covid-19 Emergency Period. This number excludes the self-referrals

61 MRO requests – 2 self-referrals and 2 tenant withdrew

*Narrative report on how the POB has complied with the statutory Code deadlines, including the process followed and how a decision is made regarding the length of the lease at renewal and how a decision is made regarding the length of the lease when other MRO gateways are used.*

The MRO offer is made to the lessee within 28 days of the valid request being made.

The offer is proposed by the Estates Manager but is subject to review and change as part of the Pubs Code Declaration sign off procedure with the Code Compliance Officer and Compliance Manager.

The offer letter issued to the tied pub tenant reminds them of the negotiating period open to them and advises them to take independent professional advice. The letter also contains links to the Pubs Code Adjudicator website and the Stars Pubs & Bars Pubs Code frequently asked questions, found on the Star website.

Star Pubs & Bars track and monitor response times via our Compliance Team to ensure Code compliance for every stage of the process.

The length of MRO lease offered by Star is a minimum of 10 years or unexpired term if that is longer than 10 years. There may however be exceptions whereby for reasons of good estate management the unexpired term is offered where this is less than 10 years.



<b>Part II: MRO Negotiations</b>	
<i>During the reporting period numbers of</i>	
MRO Negotiations undertaken with tenants	<b>28*</b>
<p>*During the reporting period a total of 70 notices have been received, of which 61 were accepted. 19 cases have been referred to the PCA on the grounds that the draft MRO lease is not code compliant. In addition to those, we have included the 9 MRO leases which have completed during the reporting period, details of which are set out below.</p> <p>Discussions with the tied pub tenant will form part of all rent and lease renewal discussions that are undertaken. The tenant is signposted to further information on the MRO &amp; PCA as part of Star's standard correspondence.</p> <p>The number inserted reflects the number of cases referred to the PCA (as set out in further detail in part IV, below) and supplemented with details of any other MRO leases that have been negotiated directly between Star and the tenant during the reporting period but which may also be the result of a settlement or award made in respect of a referral prior to the reporting period.</p>	
<p><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 tenant who has sent an MRO Notice but not included in the executed MRO tenancy.</i></p> <p>Each lease entered into during the reporting period was negotiated on its own merits and the terms negotiated vary. Some of the leases completed were on the basis of the original Punch template and other on the Star template, which may make trends more difficult to identify. However, notwithstanding this, we have undertaken a review of the changes in each case between the initial draft tenancy and the MRO lease completed in the reporting period. There are nine in total and the following are the top ten most common amendments:</p> <ol style="list-style-type: none"> <li>1. In nine leases, the rent changed from that initially offered to the tenant.</li> <li>2. In eight leases, the definition of Brewer has been amended to refer only to any person who produces intoxicating drinks for sale and to prevent this definition from being so wide as to include parties who are not brewers in the event of a disposal of the reversionary interest in the MRO lease by Star.</li> <li>3. In eight leases, the ancillary right reserved to the landlord to install drinks monitoring equipment and associated rights was deleted.</li> <li>4. In eight leases, the deposit amount required from the tenant was amended to reflect the change in rent payable by the tenant.</li> <li>5. In eight leases, the commercial terms were amended to remove the requirement to sell all categories of products affected at a reasonable market price.</li> <li>6. In eight leases, provision was added for the parties to enter into a review of the stocking obligations upon service of notice from one to the other and the arrangements and timing for that review.</li> <li>7. In seven leases, provision was added to the stocking obligations to clarify that nothing in them would (1) impose any requirement on the tenant to procure any products produced by the landlord or its group undertaking from that party and (2) there is nothing to prevent the tenant from selling products which are not produced</li> </ol>	

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<p>by the landlord or its group undertaking but subject to an acknowledgment that the existence of the stocking requirement may restrict such sales.</p> <p>8. In seven leases, provision was added to the stocking obligations to clarify the position where the tenant is required to dispense landlord keg or cask brands from a given percentage of taps and where that calculation results in a fraction or decimal figure of taps. Provision was added in these cases for the rounding up or rounding down of these figures in order to give a whole number of taps in each case.</p> <p>9. In seven leases, provision was added for the stocking obligations to be suspended in relation to any product which is produced by Star and which they may temporarily cease to produce. This is subject to a further right to Star to reactivate these provisions in relation to that suspended product in the event that production re-commences.</p> <p>10. In seven leases, an amendment to the definition of Landlord Keg Brands, Landlord Cask Brands and PPB Own Beer Brands was agreed to reflect the fact that these would be restricted to products <u>produced</u> by the Landlord or a Group Undertaking (as defined by SBEEA 2015).</p>	
Times that each of the regularly challenged terms above has ultimately appeared in a completed MRO agreement (please list and enumerate)	*
<p>*The changes to the terms do not necessarily always represent terms that have been challenged by the tenant. They will often include amendments to the lease that Star have introduced to template MRO agreements during the course of negotiations. The frequency of changes is detailed in the section above.</p>	
MRO tenancies agreed	<b>9</b>
• Of which number of free of tie arrangements agreed by new agreement	<b>9</b>
• Of which number of new free of tie arrangements agreed by deed of variation	<b>0</b>
Total number of tied settlements connected with MRO negotiations	
• Of which number of new tied arrangements agreed by new lease	<b>5</b>
• Of which number of other new tied arrangements agreed (rent or other terms)	<b>22</b>
• Of which number of tied tenant departures from the pub	<b>3</b>
• Other outcomes	<b>1</b>
• Ongoing – yet to be concluded	<b>77*</b>
<p>*At the end of the end of the reporting period Star had 77 matters ongoing but this includes resolutions to MRO notices received outside of the reporting period.</p>	

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<b>Part III: MRO Independent Assessment –During the reporting period, numbers of:</b>		
Total Independent Assessor appointments	8	
• Of which number that were appointed jointly in agreement with the tenant	7	
• Of which number that were appointed by the PCA	1	
<p><i>Please list the Independent Assessors appointed during the reporting period, and for each Independent Assessor the number of appointments.</i></p> <p>Stephen Owens FRICS MCI Arb – 2 appointments                      Peter Taylor FRICS FCI Arb Dip Arb – 1 appointment                      Antony Hunter BSc(Hons) MRICS – 2 appointments                      Daniel Tadeusz Mackernan BSc(Hons) DipProplnv MRICS – 1 appointment                      Barry G Crux FRICS ACI Arb – 2 appointments</p>		
<p><i>In each case where the MRO rent has been set following an Independent Assessor please set out</i></p> <ul style="list-style-type: none"> <li><i>the proposed MRO rent</i></li> <li><i>the MRO rent set by the Independent Assessor</i></li> </ul>		
Pub	MRO (RENT PROPOSAL)	RENT DETERMINED BY IA
1	£83,250	£55,350.00
2	£130,250	£109,300
3	£87,500	£67,450.00
4	£45,750	£29,750.00
5	£124,000	£89,260.00
6	£109,250	£68,500
7	£80,000	£38,500
8	£70,750	£61,000
Independent Assessments challenged		0
Any second challenges to Independent Assessments		0
<p><i>Narrative reporting on the reasons for the challenging by the POB of independent assessments.</i></p> <p>N/A</p>		

**Section 6: Other Code Reporting**

<p><b>Code Part 10 Provisions</b></p> <p><i>For the reporting period, reports on compliance with:</i></p>	
<p>Regulation 46 – Insurance provisions</p>	
<p><i>Please provide details of the types of policies purchased; whether by the POB or by the tenant; and any intermediaries involved</i></p> <p><i>Please provide details of any packaged insurance products offered to tenants, and a narrative on how their market value is tested.</i></p> <p><i>What commission do the POB where relevant make from insurance policies provided to tenants?</i></p> <p><i>How many tenants found a cheaper insurance policy elsewhere and had their policy price matched</i></p> <p>Star Pubs &amp; Bars purchases a block buildings insurance policy providing cover for typical property damage risks for the entire estate and re-charge our tenants based upon pre-agreed charges.</p> <p>The policy is largely self-insured and we use Aon, Rotterdam as our insurance broker with the policy renewing annually on 1<sup>st</sup> January.</p> <p>In relation to the lessee insurance obligations, contained within respective lease agreements, Star does not provide packaged insurance products for tenants and recommends that tenants obtain their own insurance with a reputable insurance company.</p> <p>In accordance with Regulation 46 tenants are made aware of Price Matching and during the reporting period a number of applications were received but none were successful.</p> <p>The detailed Star Pubs &amp; Bars Insurance details can be found here:  <a href="https://www.starpubs.co.uk/sites/default/files/misc_docs/Guide_to_Insurance_Responsibilities.pdf">https://www.starpubs.co.uk/sites/default/files/misc_docs/Guide_to_Insurance_Responsibilities.pdf</a></p>	
<p>Regulation 47 – Gaming Machines -</p> <p>Star does not record if machine ties are dealt with by side letter or contained within the core agreement. This will be different for the different agreement types across the estate and the properties acquired from Punch Taverns.</p>	
<p>Number of new Pubs Code tied agreements in which:</p>	
<p>The tenant has accepted a machine tie within the tied agreement itself</p>	<p>See comment above</p>
<p>The tenant has accepted a machine tie in a side agreement</p> <p><i>Narrative reporting: please provide details about when tenants are asked to enter into side agreements. Is this at the same time as signing the tied agreement or later?</i></p>	<p>See comment above</p>
<p>The tenant has sourced a free of tie machine agreement with a third-party supplier</p>	<p>See comment above</p>
<p>The tenant has chosen not to have machines</p>	<p>See comment above</p>

<p>Regulation 48 – Requests for blank profit and loss templates</p>
<p><i>Narrative report</i></p> <p><a href="https://www.starpubs.co.uk/sites/default/files/misc_docs/SPB-Standard%20business%20plan%20Aug%202017.pdf">https://www.starpubs.co.uk/sites/default/files/misc_docs/SPB-Standard%20business%20plan%20Aug%202017.pdf</a></p> <p>Star Pubs &amp; Bars has two profit and loss templates it makes available to tenants. The first forms part of the overall business plan document and shows the level of detail required to be accepted to us, this has example figures and is not editable as we expect the operator complete it with their trade accountant, or appropriately qualified or experienced person.</p> <p>The second version is an editable excel version, which is available on request. We do not record instances of specific requests but requests are infrequent.</p>
<p>Regulation 49 – Sale of freehold or long leasehold (including numbers)</p>
<p><i>Narrative report</i></p> <p>Star policy is that the BDM will inform the lessee of the intention to sell. This is followed with a letter from the Estates Manager setting out the process and offering to answer any questions.</p> <p>During the reporting period Star made 196 disposals.</p>
<p>Regulation 50 – No tenant detriment from exercising Code rights (including action in response to any finding of detriment)</p>
<p><i>Narrative report</i></p> <p>Star Pubs &amp; Bars is committed to the Pubs Code both in word and spirit. Our ambition is to Build Britain’s Best Pub Company by attracting and retaining the best operators. The Code has created a more level playing field and has put rigour into processes and created a higher level of transparency. We work openly with our lessees at all stages from recruitment, rent review through to renewal to clearly inform them of their options.</p>
<p>Regulation 51 – Flow Monitoring Devices</p>
<p><i>Narrative report –</i></p> <p>Star Pubs &amp; Bars have not imposed any liabilities on tenants using any reading taken from Flow Monitoring Devices alone, without seeking secondary evidence.</p> <p>Further secondary evidence may be used based upon other information held by SP&amp;B (this includes but is not limited to):-</p> <ul style="list-style-type: none"> <li>• Failure to order for 2 consecutive weeks</li> <li>• Returning more containers than were purchased from Star Pubs &amp; Bars</li> <li>• Stock &amp; financial reports inconsistent with level of tied purchases (reports requested from the Tenant via Ops Support and reviewed by the BDM)</li> <li>• Refusal to provide stock &amp; financial reports when requested within 28 days). This will facilitate the charging process in relation to the tenant’s account to proceed.</li> </ul>

Star publish an information guide for tenants about the use of Flow Monitoring Equipment a copy of which can be found at the following link:

[https://www.starpubs.co.uk/sites/default/files/misc\\_docs/Guide to Flow Monitoring.pdf](https://www.starpubs.co.uk/sites/default/files/misc_docs/Guide%20to%20Flow%20Monitoring.pdf)

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

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

*Narrative report on Code-related complaints by tied pub tenants during the reporting period covering:*

- *The total number of complaints*
- *The parts of the Code concerned*

For clarity the complaints shown below are where tied pub tenants have cited the Pubs Code during correspondence. Star does not believe all of these to be Pubs Code complaints but have included for transparency.

1. Tenant received incorrect billing and invoicing regarding utilities and referred matter to the PCA.
2. Tenant had ongoing dispute with Punch over a 2016 Rent Review which although awarded in Punch's favour is still an ongoing complaint due to tenant wanting to take legal action against Punch, Star and external advisor.
3. Tenant made an MRO request and was out of time to refer so complaint was made.
4. Full and final surrender agreed with the tenant which the tenant subsequently disputed.
5. Tenant not satisfied with the support from BDM following problems raised in June 2018.
6. Assignment process, timescales and actions from Star has resulted in a tenant making a complaint.

### **Part II: Steps taken in relation to Code breaches**

*Statement on internal procedures for handling complaints about breaches and alleged breaches of the Code*

Star Pubs & Bars take any complaints seriously, and have a structured and robust grievance procedure in place should any of our tenant's feel that Star have failed to meet our responsibilities under the Code. Our grievance system is set up so that all complaints are escalated internally and reviewed by our senior management team.

This complaints procedure is clearly visible on the website with response timeframes transparently indicated. Full details can be found:

[https://www.starpubs.co.uk/sites/default/files/misc\\_docs/Working%20with%20Star%20-%20Complaints%20and%20Grievances 0.pdf](https://www.starpubs.co.uk/sites/default/files/misc_docs/Working%20with%20Star%20-%20Complaints%20and%20Grievances%200.pdf)

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*Narrative report on actions in response to complaints detailed in Part I covering:*

- *Handling (including details of formal referrals to the PCA)*
- *Outcomes (including cases unresolved at the end of reporting period)*
- *Breaches upheld:*
  - *Internally*

*Following referral to PCA*

All complaints are handled consistently through the Star Pubs & Bars complaints procedure. All complaints are escalated internally and reviewed by our senior management team.

Formal referrals to the PCA are detailed in Part 1 but not all outcomes are concluded at the date of reporting.

No breaches were found for the completed complaints.

**Part III: Self-notification of breaches**

*Narrative report on any cases during the reporting period where the POB has self-notified the PCA of breaches of the Code (including steps taken to prevent further occurrences)*

N/A

**Part IV: Referrals for arbitration**

*During the reporting period, numbers of:*

Total MRO cases referred to the PCA	19
Referrals of MRO terms on grounds that they are not MRO-compliant	16
<ul style="list-style-type: none"> <li>• Of which number where breaches of the Code were found by the PCA</li> </ul>	0*
*the referrals above have either been settled / discontinued and an MRO lease negotiated of the referral is ongoing. However, we have received other Awards during the reporting period which pertain to referrals which were made prior to the commencement of the reporting period. A summary of the breaches is set out below.	
Referrals of void or unenforceable terms under Regulation 57(2)	0
Referrals of all other non-MRO Code matters	2

The following breaches of the Pubs Code were identified:

Pub 1

- Star failed to give reasons or articulate to the tenant at the pub why the vehicle of a new draft lease (as opposed to a variation of the existing tied lease) was a reasonable manner in which to progress the MRO application in all the circumstances. The burden of proof was found to be on the pub owning business to justify its choice and no evidence was adduced to discharge that burden.
- The definitions of Landlord Cask Brands, Landlord Keg Brands and PPB Own Beer Brands and PPB Own Cider Brands were found to be sufficiently broad as to be unreasonable particularly when read in conjunction with the definitions in the draft MRO lease of Group Undertaking and all that may come within the ambit of that definition during the Term. The provisions around suspension and revocation of the stocking requirement were also found to be non-compliant.
- The insurance covenants contained in the draft MRO lease were wider than in the existing tied lease and in the absence of any reasons from Star as to why this was the case, these were found to be non-compliant and therefore in breach of the Code.
- The gaming machine provision in the draft MRO lease was found to be wider than in the existing tied lease as it included a requirement to manage internet connections and on this basis was found to be non-compliant and a breach of the Code.
- The requirement for the tenant to pay for inspection and improvements to the utilities at the premises and their connections was found to be unreasonable and therefore non-compliant with the terms of the Code.

Pub 2

- In view of the Tenant's circumstances, it was held that the absence of provision in the draft MRO lease to transition to quarterly rent payments (as opposed to monthly) was unreasonable and therefore rendered the lease non-compliant.
- The presence of a stocking requirement in the draft MRO lease rendered it non-compliant as these clauses are not common terms in free of tie leases and that a stocking requirement should not be used to protect a brewer's "route to market" upon receipt of an MRO notice.
- The presence of three "must stock" brands together with a requirement for 75% of the Keg taps to dispense landlord brands was held to be unreasonable and therefore non-compliant.

Pub 3

- This referral dealt with the locus of a party to commence an MRO process and the entitlement to serve an MRO Notice under the terms of Regulation 19 of the Pubs Code. The arbitrator determined that the claimant did have jurisdiction to exercise MRO rights under the Pubs Code and Star seeking to deny this was a breach.

Pub 4

- The stocking requirement contained in the draft MRO lease was found to be unreasonable and Star were stated to have failed to discharge the burden of proof stated to be on them, to demonstrate why such a stocking requirement would be reasonable under the terms of the Pubs Code.



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*Please describe and enumerate:*

- *All referrals for arbitration on the same issue or very similar issues (including multiple challenges to the same term in MRO proposals).*

The reasonableness of the stocking requirement has been challenged in multiple referrals

The reasonableness of documenting an MRO lease by way of a new draft lease as opposed to a variation of the existing tied lease has been challenged

- *The number of these where arbitration proceedings continued following a determination by the arbitrator of non-compliance.*

One

### **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, including the type/subject of complaint, outcome of the complaint and the time taken to resolve the complaint.*

The number of complaints received by Star Pubs & Bars averages between 2 and 5 per month. The reasons for these complaints are varied and includes matters such as delivery issues and escalations of day to day issues. It should be noted that these are separate to complaints that refer to the Pubs Code as set out in Part I.

The complaints are dealt with through the Star Pubs & Bars complaints procedure.

## **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 in connection with each undertaking covered by the report.*

*Please provide the Training Log as an Annex to the report<sup>3</sup>, together with an organogram showing your position within the management structure.*

Star Pubs & Bars confirm that Christopher John Moore was appointed and empowered as Compliance Manager and has met his full duty under Regulation 42 to maintain written records of training received.

<sup>3</sup> Training logs are requested as evidence in support of the compliance statement.

**Part II: Business Development Managers (BDMs) - Training**

*A declaration that the POB has published in relation to each undertaking covered by the report – 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.*

Star Pubs & Bars is committed to the continuous professional development and improvement of BDMs. All BDMs have a comprehensive induction upon joining the company covering the scope and responsibilities of the role.

All BDMs (job role not Pubs Code definition) have or are planning to work towards a BII (British Institute of Innkeeping) Accredited qualification – MUM / MRM or MLPM at an appropriate level. This is to level 3 or above with the majority being level 4.

*Narrative report confirming that:*

- *all BDMs in post when the Code came in to force or appointed since received a copy of the Code before liaising with tied pub tenants on pub matters.*

All Star Pubs & Bars BDMs receive a copy of the Code and full training on the Code as a compulsory part of their induction. This takes place before liaising with tied pub tenants on pub matters and is signed off by the line manager. This is a key part of the induction process for new starters.

Refresher training is held annually for all staff and the completion of which is a key competency within the annual appraisal framework.

*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*
  - *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).*
- *Schedule of all Code updates and guidance issued to BDMs.*
- *Narrative on how BDM's have been trained in respect of newly issued and existing PCA advice, guidance and/or arbitrations.*

*Please provide training materials as an Annex to the report.*

All new starters are given a comprehensive induction including Pubs Code training. The Pubs Code training is a combination of an internal face to face session with an exam to check understanding and a Pubs Code e-learning module which carries a 90% pass mark. Each BDM is also given a copy of the Code.

All BDMs (job role not Pubs Code definition) hold or are working towards a BII (British Institute of Innkeeping) Accredited qualification – MUM / MRM or MLPM at an appropriate level. This is to level 3 or above with the majority being level 4.

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MLPM training forms part of induction for those not already qualified. Training includes sessions detailing the BDM responsibilities under the Code.

There is an annual Pubs Code e-learning refresher which is compulsory. This has a 90% pass mark and forms a mandatory section of the annual Star Pubs & Bars appraisal.

All BDMs receive appropriate training before being allowed to undertake any work relating to rent assessments or any other areas covered by the Code.

Along with the training detailed above any updates, guidance and learnings are reflected in the e-learning module and cascaded to BDMs at team meetings.

Much of the training given to BDMs is a combination of legal Pubs Code training and how this interlinks with Star's commercial policy and ways of working. Star is happy to share this information with the PCA on a confidential basis but deems it not to be appropriate for publication.

**Part III: Business Development Managers - Conduct**

*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; include supporting evidence.*

Star BDMs are given annual refresher training and further training is given as part of the ongoing team meeting schedules. Part of the annual BDM call cycle involves discussing Pubs Code with the tied pub tenants and capturing any questions.

The Code Compliance Officer and Compliance Manager are available for questions and to discuss any issues.

*Confirmation of the processes in place to ensure that BDMs:*

- *Make appropriate notes of discussions with tied pub tenants in connection with:*
  - *Rent proposals*
  - *Rent assessments / assessments of money payable in lieu*
  - *Repairs to the pub*
  - *Matters relating to the tenants current or future business plans*
- *Provide the tenant with records of the above within 14 days of the discussion*
- *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.*

*Please include any supporting evidence in respect of the above.*

BDMs produce business review sheets to document interactions with lessees. The BDMs have received training to ensure these records are a fair and accurate reflection of the matters discussed and the action points arising along with allocation of responsibilities.

This includes but is not limited to discussions with tied pub tenants in relation to rent proposals, rent assessments, repairs and matters relating the tenants current or future business plan.

Both the tenant and the BDM sign the Business Review Sheet to confirm that it reflects the discussion held.

A copy of the business review sheet is provided to the tenant within 14 days and in many instances is sent the same day.

The Business Review sheet states that if the tenant does not agree with any aspect of the record they should respond to the BDM within 7 days of receiving it.

For the reporting period, the number of challenges by tenants about the non-provision or content of a BDM record.

Any disputes would follow the Star Pubs & Bars Complaints procedure as the above is not separately recorded.

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

Any disagreements are dealt with through the Star Pubs & Bars complaints procedure as outlined above. This allows any issues to be dealt with in a fair and consistent manner.

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**Submitted by Christopher John Moore, Code Compliance Officer for Star Pubs & Bars (for the period of reporting) in accordance with Regulation 43 of the Pubs Code etc. Regulations 2016**

**Signed**



**Date 28<sup>th</sup> September 2020**