

HOW TO:

**THE
ROADMAP
POST
COVID19**



**THE
LICENSEES
ASSOCIATION**

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NICK GRIFFIN FBI - CEO



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The Licensees Association is the voice of the independent licensed trade sector. Representing independent and small multiple operators in pubs, bars, restaurants and hotels.

Our “How To” series are guides designed to help both members and non-members alike to run successful and profitable businesses in the licensed trade.

In this guide we look at the measures both the industry and Licensees can take to move ensure our sector thrives as we move forward in a post pandemic world.

Some will be campaigning issues The Licensees Association will be making on your behalf and with your support. Others will be steps the independent business should be taking to either profit improve or ensure they are best placed to succeed as a business. I hope they are useful and please feel free to contact me through The Licensees Association with any feedback.

I’m always happy to help, it’s my job and I wake up every day. wanting to make a difference. I hope this guide and the others into series will help us all make a difference and to succeed.

Nick Griffin

Nick Griffin FBII
CEO - The Licensees Association
www.licensees.org

1.

MAXIMISE YOUR SAVINGS & PROFIT

This may seem blindingly obvious. Indeed I imagine most businesses have done so much work in this regard recently as they look to secure their bottom line in a world where every penny counts. But there are still large savings to be made and with a membership of The Licensees Association you get the buying power of your peer group behind your negotiation.

Let us look to see where we can further improve your bottom line through our Trusted Trader Scheme. Our track record is exemplary and by dealing with only the best in the industry we are confident that not only will you get great value you will also get the best service.

You should be looking at every expense you have and we are here to help having done a lot of the behind the scenes work for you. Insurance savings alone have saved members an average of 24.8% on their premiums, card payment providers rates have been slashed along with improved contract terms and there has never been a better time to allow us to look at what we can save you on your utilities.

Add to this our links to wholesalers, finance providers, agents and industry suppliers and we can really add far more than the cost of membership to your bottom line. We guarantee it. **The Association that gives you money not takes it!**

2.

VAT REDUCTION FOR HOSPITALITY

A message to government that we need a reduction in VAT for the sector has never been louder and more necessary. The Licensees Association is campaigning for the rate of Tourism VAT to be brought into line with competitor destinations within the European Union.

British families or international visitors choosing a British holiday are liable to pay almost three times as much VAT compared to a German break, and twice as much as one in Italy, France and Spain.

Independent research carried out by a Treasury adviser using the government's own economic model has shown that lowering the rate of tourism VAT to 5 percent is one of the most efficient, if not the most efficient, means of generating GDP gains at low cost to the Exchequer.

Additional research by Deloitte/Tourism Respect found that such a reduction would contribute an extra £4.6 billion to HM Treasury over ten years and create 121,000 jobs.

Hospitality has been most affected by the Coronavirus pandemic, the stimulus provided by a VAT reduction to 5% whilst the industry recovers is precisely what the doctor orders. It will save businesses and jobs.

3.

RELAXATION OF PLANNING & LICENSING

Government and local authorities need to take a relaxed view when it comes to planning if we are to ensure businesses have the best chance of thriving in the short term.

Pavement licenses, road closures and the promotion of supervised external drinking within guidelines are all sensible ways in which a business can be allowed to profitably trade.

We will be urging government and local authorities to look favourably at measures to allow a wider use of external areas, within reason, to ensure venues can trade profitably. This will also allow for a greater control of the pandemic which we know spreads more in an internal environment.

We will also be recommending the variation of licenses to allow for greater off-sales and delivery . All measures that will allow enterprising businesses to maximise their sales.

4.

END OF UPWARD ONLY RENT REVIEWS

Upwards Only Rent Review clauses exist throughout the hospitality sector. For a long time they have been considered to distort the market place and never has this been more prescient than today.

As we emerge blinking into the sunlight of a post pandemic world predictions of the measure that trade will be disrupted are as diverse as the length of the proverbial string. What is certain is that trade will be affected and open market rents will fall, certainly in the short-term. This leaves the UORR clause as anathema, Landlords seeking to impose unsupportable rents through the adoption of clauses that distort the marketplace and create unjustifiable rent comparisons that lead to an upwards moving spiral.

Some sectors have unilaterally and without legislation though their trade bodies ended the use of UORR clauses and we will work with others to end their use whilst also lobbying government. In some countries they have been prohibited, it may not be necessary to legislate if we can ensure that landlords and tenants act responsibly but we won't stop at calling for statutory reform should it be necessary.

5.

STOP THE USE OF RPI AS AN INDEX

The Retail Price Index (RPI) is used extensively throughout the industry yet it has been serially discredited and is unsupported. The Licensees Association has been campaigning to get it replaced with the a more effective and credible index such as CPI.

Never has it been more important to tenants to rid the industry of the exponentially inflationary measure that is RPI. Over time the compounded effect of the index can lead to largely inflated rents. When this is combined with an upwards only rent review clause the rent can quickly lead to the tenant paying a rent way above the market rent the property was originally contracted at.

In 2019 the UK Statistics Authority recommended that the publication of the RPI should be stopped at a point in the future and that in the interim, the shortcomings of the RPI should be addressed.

We couldn't agree more and will continue to campaign for the index to be abolished and to ensure a more relevant index is used where necessary.

6.

CONSTRUCTIVE TENANT/LANDLORD NEGOTIATIONS ON RENT

It has always been the Licensees Associations way to negotiate in a constructive and amicable way where ever this is possible. We recognise that the tenant and landlord need to continue to work together, hopefully in a constructive partnership to the mutual benefit of both parties.

Of course negotiations should be carried out by a tenant to best serve their position and we recognise that by using a third party such as The Licensees Association the process can be made less personal and combative.

As we emerge from the pandemic it has never been more important that tenants open lines of negotiations with their landlord. We will encourage open, transparent and fair dealing. It is imperative that all tenants arrive at a workable solution that takes into account their circumstances alongside that of the environment they are trading in and that landlords fully understand and reflect the reality of the position their tenants are in.

If people wish for us to help we will be only too pleased to do so. Representing tenants can ensure the established relationship between both parties isn't harmed.

7.

CONTINUED SUPPORT FOR THE MOST AFFECTED

Whilst acknowledging the support that business has already received from government in grants, staff furlough and access to government COVID loans there is still lots to do.

The hospitality sector was first into lock down and long the last to re-open. Many venues will struggle with social distancing to return to anywhere near normal and don't have the advantages of gardens and other external areas.

Often these sites are themes susceptible to changes in the market and don't have big reserves and access to capital behind them. We need to selectively continue to support these businesses and we will be urging government to provide what help it can.

We will work alongside other trade bodies to ensure government understands the needs of these businesses many of whom are the life blood of the communities they serve.

8.

MANDATORY CODE

The government has produced a code of conduct to help tenants and landlords negotiate their rent obligations during the pandemic and as we recover from it. This is welcome, but sadly the government has made the code voluntary meaning neither tenant or landlord are obliged to adopt it.

At The Licensees Association we will work with the current voluntary code, seeking maximum uptake and so ensuring tenants and landlords negotiate in a collaborative, transparent way and in good faith. That said we understand that a voluntary code doesn't ensure all tenants will be able to negotiate with the landlords supported by the code and consequently we will continue to push for a mandatory code.

The negotiation of sensible, achievable rents is the only way we can ensure all business has the optimum chances of firstly surviving and then thriving as we look to rebuild business, the hospitality sector and ultimately the UK economy.

9.

THE FMT, RATES AND VALUATION CONUNDRUM

Fair Maintainable Trade (FMT), non-domestic rates and pub trade valuations are all linked and often inflated even before the pandemic.

Business rates review is long overdue and. The hospitality sector has for a long-time been penalised as a bricks and mortar trader whilst online traders pay far less when considering their turnover. It is inconceivable that it is a fair system when 2.8% business rates bill is paid by the sector but only 0.5% of the business turnover.

Business rates are assessed on the Fair Maintainable Trade of the business. For too long this figure has been wrongly assessed, often taking a businesses actual figures rather than those of the reasonably efficient operator (REO) upon which it should be. This has a knock on. effect with other charges being based on the rateable value which this figure informs such as satellite TV charges and even rent reviews. The dice has been loaded against the operator and we will work to address this.

10.

CONSTRUCTIVE PUBS CODE REVIEW

The Pubs Code as introduced in 2016 is currently under statutory review and we will work constructively with all parties to ensure the review leads to a better Pubs Code that ensures tenants benefit.

As the leading voice of independent publicans that has no landlord influence the Association is well placed to represent those tied tenants that fall under the Pubs Code.

Key considerations for us are the the omission of tenants compensation for lost profit should they opt for a MRO that is frustrated past review date. A fair, clear and fast process that ensures tenants can achieve a market rent should they desire by the review date.

We will work with all parties to ensure the code review is conducted fairly and that tenants views are properly represented free from landlord influence.

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www.licensees.org
hello@licensees.org