



PIRRS

The Pubs Independent Rent Review Scheme

PIRRS PROCEDURE PAPER – COMPANIES OVER 500 PUBS

1. **What is PIRRS?**

The Pubs Independent Rent Review Scheme (PIRRS) offers an accessible, independent, low cost rental resolution service to those within the pub industry whose pub company or brewery landlords are subscribing members operating less than 500 pubs. Details of such companies are provided on the PIRRS website under the heading of 'about us – participation' and listed at the front of the codes of practice for leases, tenancies and Scotland. The PIRRS procedure for companies operating under 500 pubs and signed up to the voluntary codes (and in Scotland) is set out in a separate paper.

From 21 July 2016, companies operating 500 or more tied pubs were no longer covered by the self-regulatory system and instead subject to the Pubs Code regulations 2016 and associated legislation. As such, there is no requirement for such companies to offer PIRRS. However, both companies and tenants have expressed a wish for a low-cost resolution service in situations where the tenant or lessee wishes to remain tied and negotiate the tied rent. In consultation with tenant and company representatives, the PGB Board has agreed to make PIRRS available if both parties wish to utilise it to determine tied rents.

This paper sets out how PIRRS operates for tenants and companies covered by statutory legislation (the Pubs Code etc. Regulations 2016), PIRRS can be accessed as an option to resolve tied rent disputes if both parties agree to use the system.

PIRRS has become well established and comes under the governance of the PGB (the Pub Governing Body), provided by six of the industry's leading Associations representing both tenants and landlords - the Association of Licensed Multiple Retailers (ALMR), Brighton and Hove Licensee Association, the British Beer and Pub Association (BBPA), the British Institute of Innkeeping (BII), the Federation of Licensed victuallers Associations (FLVA), and the Guild of Master Victuallers (GMV). The PGB is chaired by Sir Peter Luff.

PIRRS is a private company limited by guarantee, registered in England and Wales, Company No. 7162516. PIRRS is funded by landlord company membership. Funds are contributed via a levy, or in the case of companies operating over 500 pubs and tenants a fee is paid on a case-by-case basis.

2. **The Availability of PIRRS**

PIRRS can be accessed by the tenant and company agreeing in writing to use the PIRRS process to resolve a tied rent dispute. The agreement of both parties is required to begin this process via the specific PIRRS form.

Tenants and landlords who have been unable to agree a tied rent may mutually agree to begin the PIRRS process as outlined above. Such tenants and landlords entering into the PIRRS process are referred to as **'the parties'** within what follows.

PIRRS strongly recommends that both parties have issued a final formal tied rental offer to each another before a PIRRS application is instigated. The parties are advised to take professional advice before doing this and to mark their final offer as being 'without prejudice' to protect their position.

It is up to the tenant and company to agree in writing as to whether to make application to PIRRS whereupon legal documentation (a Deed of Variation) is provided to enable the parties to adopt such system in substitution for the mode of dispute resolution detailed within the appropriate Lease or Tenancy Agreement.

Tenants should be aware that if their Lease or Tenancy Agreement is in the name of a limited Company or lists detail of guarantors, all guarantors for the company must sign the PIRRS Deed of Variation.

3. **The Tenant and company complete PIRRS application form**

The tenant and company make their application to the PIRRS Administrator (contact details follow). The company and tenant will agree who, or both, pay a £250.00 administration charge to PIRRS, payable on a case-by-case basis. In the case where the tenant and company agree to use PIRRS, but cannot agree on the administration fee split, it will be split 50/50 between the two parties.

4. **The tenant selects the Independent Expert**

The tenant will need to enter on the application form their choice of the Independent Expert appointed to decide the rental. A list of the nominated Independent Experts on the PIRRS panel appears on the PIRRS website under the heading *'Get started – Independent Experts.'*

Each of those on the PIRRS panel of Independent Experts have been nominated by one of the organisations represented on the Pub Governing Body, issued with the entry paperwork, and unanimously approved by the Board.

All PIRRS Independent Experts must meet with the following criteria:-

- a They must be nominated by a member of the PGB and approved unanimously by the Board.
- b They must hold a RICS qualification and hold professional indemnity insurance to act as an Independent Expert.
- c They must have at least five years experience of conducting and being involved in licensed property rent reviews and they must have acted as Independent Valuer and/or have undertaken the appropriate qualification.

or

They must have ten years experience of regularly preparing licensed property rental calculations and resolving licensed property rent reviews.

Independent Experts Valuers are not restricted in terms of the areas in which they are able to work and are therefore permitted to nominate within their details a number of regions as long as they are conversant with/deal with the licensed property market in the regions they list.

Any possible conflicts of interest between an Independent Expert and a landlord company are registered against the list of Independent Experts on the PIRRS website. The PIRRS Administrator will check with the Independent Expert involved that this is up to date on a case by case basis.

Independent Experts will be evaluated by the PGB through a feedback questionnaire forwarded to each of the parties at the end of each process. The panel of Independent Experts will be reviewed by the Board annually.

5. The conflict of interest check

The PIRRS Administrator then checks with the selected Independent Expert to ensure he/she would not have a conflict of interest in accepting an appointment.

6. The tenant pays their share of the Independent Expert's charges to PIRRS

It is essential, whether applying online or offline, the tenant immediately forwards their remittance in respect of their share of the Independent Expert's charges to PIRRS at First floor, Infor House, 1 Lakeside Road, Farnborough, Hampshire GU14 6XP made out to 'the Pub Governing Body.' Please remember to include VAT at the current rate in your remittance. PIRRS will issue the appropriate VAT receipt.

7. The Independent Expert's charges

The **Tenant's** share of such charges for an unreasoned Independent Expert Determination are calculated on a geographical basis. The charges for premises in Scotland or on the London city side of the M25 are £1,500 plus VAT if the rental paid prior to the review is under £25,000, or £2,000 plus VAT if it is £25,000 or over.

The charges for premises throughout the rest of the mainland UK are £1,000 Plus VAT if the rental paid prior to the review is under £25,000, or £1,500 plus VAT if it is £25,000 or over.

If a reasoned Determination is required this will involve a total additional charge of £1,500 plus VAT. This is usually paid subsequent to the Independent Expert having been appointed. The parties decide how this is to be apportioned between them.

8. The initial responsibilities of the landlord company

A copy of the tenant's PIRRS application form detailing their choice of Independent Expert is forwarded to the company who, for their part, are required without delay to supply the PIRRS Administrator with:-

- a Their own completed PIRRS Application form
- b A copy of all relevant documentation with copies at the same time being sent

by them to the tenants. This would usually include a copy of the relevant completed Lease or Tenancy Agreement signed by all the parties, a copy of their current Code of Practice, a copy of the relevant price list detailing any discounting arrangements, Deeds of Variation, Deeds of Assignment, Licences for Alterations etc. etc.

- c The **Landlord's** share of the Independent Expert's charges for an unreasoned Independent Expert Determination. These are calculated on a geographical basis. The relevant charges for premises in Scotland or on the London city side of the M25 are £2,500 plus VAT if the rental paid prior to the review is under £25,000, or £2,000 plus VAT if it is £25,000 or over.

The charges for the premises throughout the rest of the mainland UK are £2,000 plus VAT if the rental paid prior to the review is under £25,000 or £1,500 plus VAT if it is £25,000 or over.

If a reasoned Determination is required, this will involve a total additional charge of £1,500 plus VAT. This is usually paid subsequent to the Independent Expert having been appointed. The parties decide how this is to be apportioned between them.

The PIRRS process has to be both time and cost effective. It is essential that the providing of the above is not permitted to delay proceedings. It is therefore similarly essential that if unavoidable delays are anticipated in complying with these obligations the PIRRS Administrator is informed of this immediately.

9. Responsibility for providing correct and complete documentation

Neither PIRRS or the appointed PIRRS Independent Expert can accept responsibility in respect of the correct and complete documentation referred to in 8 (b) being supplied. It is the parties' responsibility to ensure the Independent Expert has correct and complete documents before him.

10. The Deed of Variation

Both parties will, before the case can be handed over to the Independent Expert, be required to sign a Deed of Variation agreeing to the PIRRS process being adopted in substitution for the dispute resolution methodology detailed in the Lease or Tenancy Agreement and committing them to abiding by the PIRRS Independent Expert's decision. Tenants should be aware of the fact that if their Lease or Tenancy Agreement is in the name of a limited Company, or include details of guarantors, guarantors will also be required to sign the Deed of Variation.

The Deed of Variation is provided by the PIRRS Administrator. **The PIRRS process has to be both time and cost effective. It is essential that the signing and providing of the above is not permitted to delay proceedings. It is therefore similarly essential that if unavoidable delays are anticipated in complying with these obligations the PIRRS Administrator is informed of this immediately.**

The rental figure determined by the PIRRS Independent Expert should be treated as being final. The PIRRS Independent Expert Determination cannot be appealed.

11. Tenancy renewals

The wording of the current Lease or Tenancy Agreement will be of invaluable assistance to an Independent Expert dealing with rent reviews. It is, therefore, equally essential that he/she be provided with full detail of the Lease or Tenancy Agreement renewal wording in a manner agreed between the parties before he/she can commence work on a rental Determination in the case of a tenancy renewal. Such agreed wording should be forwarded to the PIRRS Administrator at the earliest moment.

12. The appointment of the Independent Expert

The PIRRS Administrator then adds the completed Deed of Variation referred to in section 10 to the completed documentation referred to in section 8(b) and provides it all to the chosen Independent Expert who for his/her part invoices PIRRS with their fees.

From this point onwards all administration is provided by the chosen Independent Expert. PIRRS has no further involvement in the case.

13. The Independent Expert issues detail of their Terms and Conditions

These will usually be relatively standard as relating to the PIRRS scheme but may, in addition, include the Independent Expert's own individual terms and conditions.

The RICS requires Chartered Surveyor PIRRS independent Experts to confirm that their charges, payable in advance, are non-refundable, except where specifically agreed by the Independent Expert in exceptional circumstances to be otherwise. Such charges will not therefore be placed in a client account and are not, therefore, protected by the RICS client money protection scheme. The parties by virtue of utilising the PIRRS process will be taken as accepting this.

The PIRRS Independent Expert will not be carrying out a structural survey or a detailed building inspection and will assume for the purposes of the rent review or tenancy renewal that the premises are in a satisfactory state of repair and decorative order, that the services are in good working order and that all covenants have been fully complied with, unless either or both of the parties advise him/her to the contrary.

The PIRRS Independent Expert will assume that there are no deleterious materials used in the construction of the building and that there are no inherent defects, additionally that there are no ground conditions or contaminating material which may have an effect upon his/her Rental Determination, unless the parties advise to the contrary. He/She will assume, unless the parties advise to the contrary, there are no outstanding statutory notices affecting the property and that there has been no non-compliance with any statutory notice.

The PIRRS Independent Expert will not make detailed planning, environmental health, safety or licensing investigations or check matters relating to restrictive covenants unless the parties advise of an issue. His/her assumptions will be, unless the parties advise to the contrary, that the property complies with planning law and

all statutory requirements and that there are no outstanding conditions, proposals or other legal matters which may adversely affect the rental value.

14. The Independent Expert issues Directions

The obtaining of all necessary documentation and payments by PIRRS at an early juncture is intended to allow the Independent Expert to supply the parties with procedural directions as to how the PIRRS process will operate without delay.

The PIRRS scheme is intended to be as 'user friendly' as possible and a party with any queries should identify these by letter or e mail to the PIRRS Independent Expert ensuring that the other side are copied in to their query and to his/her response.

It is important to understand that if the parties agree the rental between them or request that the Independent Expert does not proceed for any reason **no refund** of the charges paid to him will be made subsequent to procedural Directions having been submitted to the parties.

15. Reasoned Determination?

It is not usual for an Independent Expert to provide the reasoning behind their rental Determination figure but, in response to demand, the PGB has now provided that PIRRS Independent Experts will, if required by either or both the parties to the rental dispute, provide reasoned Determinations.

Now is the time to tell the Independent Expert if a reasoned Determination is required. This needs to be established before he/she makes their inspection of the premises involved. After that it is too late to request a reasoned Determination.

The additional cost for a reasoned Determination is £1,500 plus VAT with it being left to the landlord and the tenant to decide how this should be apportioned between them. If the parties cannot agree on such apportionment a reasoned Determination will not be provided.

It is important to understand that an Independent Expert will under such circumstances provide reasoned Determinations to both the parties notwithstanding whether or not each has contributed to the additional cost involved.

16. Communication

Apart from those circumstances when all parties are present, any communication with the Independent Expert must be in writing with copies being sent simultaneously to the other side and e mails or letters being so marked.

17. The Independent Expert will set out a Timetable within his/her Directions

Such Directions are referred to in paragraph 14 above.

The Timetable will provide for:-

- The parties are usually able to agree on many of the facts of the case and it is of considerable assistance to the process if they are jointly able to supply the Independent Expert with a **Statement of Agreed Facts**. This is often drafted by the landlord and approved by the tenant. The likely content of such document is referred to later.

- Each side providing the Independent Expert with a **Statement of Case** in a prescribed format as described below.
- The Statement of Case is then used so that each party can issue a **Response** to the comments made by the other side. Again, further detail is provided below.
- The Independent Expert will fix a date and time to **visit the subject premises** and it is up to the tenant to ensure that access to the whole of the premises is provided at that time.
- Most tenants tend to avail themselves of the ability under PIRRS for the parties to **address the Independent Expert verbally** at the time of his/her visit and so it is important they are available on the day of the Independent Expert's inspection.

18. **The methodology usually employed in the Independent Expert's calculations**

The Lease or Tenancy Agreement will usually incorporate a **rent review** section. This will detail what should be assumed and what should be disregarded when the rental value is being calculated. The PIRRS Independent Expert will be a Chartered Surveyor and, whilst he/she may refer to other publications as well (e.g. PIRRS Independent Experts will also have regard to the RICS Guidance note *Surveyors acting as Independent Experts in commercial property rent reviews*) they will usually use as their 'bible' the guidance note published by the Royal Institution of Chartered Surveyors entitled '*The capital and rental valuation of public houses, restaurants and nightclubs in England and Wales.*' A copy of this may be obtained from the offices of the RICS.

Such methodology may be regarded as being somewhat complex but basically when dealing with a tied tenancy consists of projecting the trade a reasonably efficient operator should generate from the premises being sure to assume what the Lease or Tenancy Agreement specifically details is to be assumed and to disregard what this document says is to be disregarded. This is known as the fair maintainable turnover and, by using projections of the product mix and the appropriate price lists, possibly assisted by stocktaking Reports, Management accounts or profit and loss accounts, if these are provided and are considered to reflect the performance of the reasonably efficient operator; one then arrives at a gross profit projection.

The 'Reasonably efficient operator' is detailed as representing a concept where the valuer assumes that the market participants are competent operators, acting in an efficient manner, of a business conducted on the premises. It involves estimating the trading potential rather than adopting the actual level of trade under the existing ownership, and it excludes personal goodwill.

The calculation then requires the levels of expenditure the reasonable efficient operator would be likely to incur in achieving such level of turnover and gross profit to be deducted being sure not to include the rent which is the subject of the exercise in the computation.

A further deduction is usually made to reflect interest on the capital the reasonably efficient operator would have tied up in the business in for example, the cost of the trade inventory, stock and working capital.

Having made this further deduction, the resultant sum is referred to as the divisible balance. This is apportioned between the landlord and tenant having regard to their respective risks and rewards, with the landlord's proportion representing the annual rent.

The calculation in an ideal world would involve the use of comparable transactions concerning comparable premises in comparable locations at every stage and the parties usually do their best to set relevant comparables before the Independent Expert as a part of their case. Often ideal direct comparables will not however be available and the parties and in turn the Independent Expert will need to research a wider geographical area to obtain adequate comparable evidence. Adjustments to reflect negative trading factors, such as surplus space, secondary location or an unusual style of property, can be very subjective. It is often not possible to obtain full details of comparable transactions due to confidentiality agreements, data protection issues or a failure of the parties to agree analyses of transactions.

In cases of **tenancy renewals** there usually will be no document to detail rental assumptions and disregards. The parties will invariably be legally represented and should seek legal advice. What follows is paraphrased and is detailed without accepting responsibility for the content but the Landlord and Tenant (Licensed Premises) Act of 1990 afforded to licensed property tenants the security of tenure protection enjoyed by other business tenancies under the Landlord and Tenant Act 1954.

Section 34 of the Act details that if a Court is setting the rent to be payable it will be that at which, having regard to the terms of the tenancy (other than those relating to rent), the premises might reasonably be expected to be let in the open market by a willing landlord, there being disregarded: -

- (a) any effect on rent of the fact that the tenant has or his predecessors in title have been in occupation of the holding,
- (b) any goodwill attached to the holding by reason of the carrying on thereof of the business of the tenant (whether by him or by a predecessor of his in that business),
- (c) any effect on rent of an improvement to which this paragraph applies,
- (d) in the case of a holding comprising licensed premises, any addition to its value attributable to the licence, if it appears to the court that having regard to the terms of the current tenancy and any other relevant circumstances the benefit of the licence belongs to the tenant.

19. The Statement of Agreed Facts

A joint written Statement of *no more than six sides* of A4 in no less than font size 10 prepared by or on behalf of the parties which sets out a summary of relevant facts and other matters on which they are able to agree. This Statement is to be provided with each paragraph and section being numbered. Any Improvements carried out by the tenant which should be disregarded at rent review (these may relate to cases where the tenant has received formal written consent to improvements carried out by him/her other than as a contractual responsibility to the landlord) should be referred to within this joint document. Where there is any dispute on this point this should be clearly identified it being understood, however, that the Independent

Expert has no power under the PIRRS scheme to determine any disputes of a legal nature.

It is preferable if the parties are able to agree and document at this stage details of rent review or letting rental comparables and include such detail within the Statement of Agreed Facts.

The Independent Expert will be under no obligation to verify any information placed before him/her within the Statement of Agreed Facts and is entitled to, but not obliged to, rely absolutely on the content of such document without the need for him/her to make further enquiries concerning the content.

20. **The Parties' Written Statements of Case**

Such statement is to comprise no more than ten sides of A4 in no less than font size 10. The document should be set out in numbered sections and paragraphs *and should be supplied to the Independent Expert in duplicate* so that he/she may forward a copy to the other side to enable them to prepare a Response Document as detailed below.

Appendices may be used to provide proof/confirmation of evidence forms from a party who has had a direct involvement with a comparable property transaction and, whilst these may be in addition to the ten permitted pages, nothing else, other than statements of truth, map plans identifying the subject property or the comparables, accounts, stocktakers' reports, management accounts or barrelage print outs (should either of the parties choose to supply these), shall be used to extend the contents of the Written Statement beyond ten pages. The parties are each required to comply with the spirit of the PIRRS proceedings. The Independent Expert in a PIRRS case will not expect to receive unnecessarily voluminous Appendices.

The following represent issues many parties address within their Statement of Case:-

- Details of the fair maintainable trade and the resultant profits one would expect the hypothetical reasonably efficient operator to achieve from the premises along with where possible reasons for this.
- Details of the overheads one would expect the hypothetical reasonably efficient tenant to incur during a typical year along with where possible reasons for this.
- A copy of the price list under which the tenant purchases or purchased tied products under the terms of the Lease or Tenancy Agreement at the rent review/tenancy renewal date.
- Details of any discounts received from this price list relevant at the rent review/tenancy renewal date.
- Details of the tenant's 'over the bar' wet price list as at the rent review date along with a sample menu and wine list where appropriate and comment, where adjudged to be necessary, concerning both.
- Details of the machines in place at the premises as at the rent review date and confirmation of the basis on which the tenant receives machine income.

- Evidence as to under or over-performance by the actual tenant in possession of the premises when set against the perceived standards of a reasonably efficient operator.
- Evidence of any factors which have inhibited the performance of the premises e.g. road closures, redundancies, compulsory purchase, redevelopment, competition or price issues, movement of working and residential populations etc.
- Evidence of forthcoming plans or issues which are expected to increase or reduce the trading performance of the reasonably efficient operator subsequent to the review/tenancy renewal date.
- Evidence as to how the actual tenant has maximised the opportunity within the business.
- Analysis of the comparable transactions provided by reference to trading potential and the adoption of the fair maintainable turnover method of valuation.

21. **The Parties' Written Responses**

Such Response must respond purely to the content of the other side's Statement and should again be forwarded to the PIRRS Independent Expert, in writing, in duplicate. It must not set out new issues or new evidence other than to repudiate or clarify comments made within the other side's Statement of Case.

The Response to comprise *no more than five sides of A4 in no less than font size 10.*

It is usually regarded as representing good practice, and will be of considerable assistance to the Independent Expert, for points of response to replicate the appropriate paragraph numbers the other side have used when making the points being responded to.

The Independent Expert will not accept new evidence at this stage unless at the written request of both parties. Upon receipt of Response Documents a copy will be forwarded to the other party.

22. **Non-action period**

The PIRRS Independent Expert will not, in the usual course of events, be reading the parties' Statements of Case or Responses for some **five days** subsequent to the latter having been received. This will give the parties the opportunity of identifying any perceived breach within the material furnished by the other side of any without prejudice matter or any information which is known to be factually incorrect or should new evidence have been included at Response stage. The Independent Expert reserves the right to extend the five working day non-action period if such an issue arises.

23. **Without Prejudice matters**

No reference shall be made to any earlier correspondence, negotiations or discussions between the parties which could be classified as having been made or effected on a without prejudice basis. The term 'without prejudice' refers to the content of written or verbal statements or offers which have been made between the parties within negotiations genuinely with the aim of achieving agreement concerning the rental figure. Such information must not be disclosed to the

Independent Expert. Neither party should be disadvantaged by having made such offers which may or may not have been pitched at a level intended to obtain a settlement rather than representing the offeror's genuine opinion of value. The content of the same, if and as applicable, is not under any circumstances to be quoted or disclosed.

24. Confidentiality

The Statements of case and Responses placed by each party before the Independent Expert are to be regarded as being confidential between the two parties and the Independent Expert so as to allow each to supply potentially sensitive information without fear of it becoming misused to their detriment.

Subject to the tenant not indicating on their application form an objection to this the Independent Expert's Determination figure will appear on the PIRRS website. Third parties will not be constrained from utilising such declared Determination figures as comparables in negotiating rent reviews for other licensed premises. PIRRS will not under any circumstances issue statements about individual cases.

25. Statement of Truth

If the parties are represented by Chartered Surveyors the latter will each advise the Independent Expert whether they address him/her as an Expert or as an Advocate. They will in either event include within or attach to their initial Statement of Case the usual RICS Practice Statement wording and must ensure they each comply with such wording in all respects throughout these proceedings.

If such Representatives are not Chartered Surveyors they should include the equivalent Statement of the Organisation of which they are a member.

If the parties are representing themselves or are being represented by a party who is not a member of a professional organisation they should include within their Statement of Case a Statement of Truth:-

I confirm that I have made clear which facts and matters referred to in this Statement of Case are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete opinions on the matters to which they refer. This Statement of Truth may be taken as similarly extending to my Response document and to all my dealings with the PIRRS Independent Expert.

Both the parties and their Representatives must each understand that their obligation and duty in the proceedings is solely to the Independent Expert.

26. Legal issues

The parties' contentions must not contain any legal argument as the PIRRS Independent Expert will not have the power to determine any points of law. If there are disputes of a legal nature identified he/she will cease proceedings until these have been clarified.

If it transpires that clarification cannot be afforded concerning a legal issue by the parties in a manner mutually agreed between them the Independent Expert will

stand down and the dispute will revert to the mode of Dispute Resolution referred to within the Lease wording. The Independent Expert will nonetheless under such circumstances be entitled to retain all the fees paid concerning their appointment.

27. The Independent Expert's Inspection

The timetable relevant to the day will in due course allow him/her:-

- An initial period on the day in question in which to carry out an inspection of the subject premises.
- If required a separate 20 minute period will be allowed to each side on the same day to verbally summarise their case.
- The Independent Expert will similarly be afforded the opportunity at this time of obtaining verbal clarification of any relevant issues should this prove to be necessary.

Each of the parties and/or a single advisor representing them is entitled to be present at the time of the Independent Expert's inspection. If they do not attend he/she will continue to their Determination nonetheless.

The Independent Expert may visit at their absolute discretion, in an unaccompanied capacity, other premises regarded as representing competition or comparables either on the day of their inspection or on some other date and may occasionally require either or both of the parties to liaise to facilitate access arrangements.

28. The Rental Determination

The Independent Expert will utilise his/her best endeavours to provide their Rental Determination in a timely manner. Unless a reasoned Determination has been requested this will merely set out a brief recital of the facts of the appointment and their opinion of rental value.

If a reasoned Determination has been requested the Determination will follow the format of other PIRRS Determinations with, unless exceptional circumstances dictate otherwise, an additional section containing a profits method calculation. There may be more than one set of calculations if it is felt it is necessary to provide them. The profits method calculation will be followed by commentary on selected lines of the calculations. The extent of these comments will be at the Independent Expert's absolute discretion and he/she will not expand on them further following the issuance of their rental Determination.

The extent of the reasons in the commentary will be limited to a brief explanation of the calculations or, plus where appropriate at the Independent Expert's discretion, the weighting of and acceptance or rejection of aspects of the comparable evidence presented to him/her. There may or may not also be a "stand back and look" comment before a rental figure is finally determined.

The parties accept that reasons given by Independent Experts in a PIRRS reasoned Determination will be less extensive than those written by Arbitrators in a reasoned Arbitration Award, not least because there is no obligation upon an Independent Expert to deal with all the arguments put forward by the parties.

The Independent Expert will not be bound or be fettered by the content of any Statement of Agreed Facts, any Statements of Case/Representations or any Responses placed before them. If either party fails to place documents before them within the prescribed timetable the Independent Expert may reserve the right to proceed to their Determination in any event.

The Independent Expert reserves the right to make their own inquisitorial enquiries of the parties, their representatives or of third parties. They are under no specific obligation to visit or inspect the comparable properties placed before them and will be entitled to utilise their own discretion on this point.

The PIRRS Independent Expert will restrict their Determination to providing a rental figure. They are not authorised to deal with the matters of interest or costs.

29. Subsequent action

The parties on receipt of the Independent Expert's Rental Determination are committed to the rental which has been Determined.

In the case of a rent review the provisions of an existing Lease or Tenancy Agreement relating to any relevant back payments of rental and/or interest charges will apply. The PIRRS Independent Expert has no power to rule on the matter of interest charges or costs.

In the case of a tenancy renewal the parties have a duty to do all in their power to ensure the new Lease or Tenancy Agreement is completed as quickly as practically possible save that there is the need to emphasise the fact that in the case of a tenancy renewal under the terms of the Landlord and Tenant Act 1954 the tenant has the right to give up the tenancy on serving three month's notice if he/she is dissatisfied with the rental Determination figure. This factor is provided for within the tenancy renewal Deed of Variation signed by the parties to allow PIRRS to be utilised.

PIRRS will subsequently contact the parties for their feedback on the process. PIRRS will be continually assessed and reviewed to ensure its continuing success.

30. Conclusion

The intention of the PIRRS Independent Expert Scheme is to produce a quicker and more cost effective method of resolving rent review or tenancy renewal disputes for companies operating over 500 pubs.

It should be clearly understood that this is an option for both parties who mutually agree to use PIRRS, and the timetable for the process is set out in good faith to ensure that both delays and costs relating to the process are kept to a minimum. It is intended that wilful contraventions of such timescales cannot be utilised to frustrate the process. A party aggrieved by the failure of the other side to comply with such timescales is entitled to request that the Independent Expert proceed to their Determination in any event. This being a matter for the latter's discretion. With

regard to any dispute over timescale or timetable his/her decision shall be final in all respects.

31. Contact Details:

For more information about the Pubs Independent Rent Review Scheme contact the PIRRS Administration Team, BII, Infor House, 1, Lakeside Road, Farnborough, GU14 6XP. Tel. 01276 417806. Email: info@pirrscheme.com. There is also comprehensive information on the PIRRS website. <http://www.pirrscheme.com/>

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