Birketts

WELCOME TO THE AUTUMN 2018 EDITION OF

Food for Thought

In this edition of Food for Thought we have invited a member of the Future50, Taste Collectiv, to share its story, and we also consider some of the real issues that the food industry is facing. Thank you to Mark Robinson for taking part.

Alexandra Nelson
Legal Director
01473 299193
alexandra-nelson@birketts.co.uk

One of our tax specialists, John Kahn, has provided an overview of the 'sugar tax' which came into force on 6 April 2018. Whilst many of us haven't noticed the added 8p or so on a can of our favourite fizzy drink, manufacturers are faced with the dilemma of changing recipes or raising prices. How has the levy affected your business?

Jenny Leeder has provided an overview of the current situation in relation to casual and seasonal workers, and Julie Gowland has given you 'food for thought' on the use of CCTV at your premises.

We are keen to make this newsletter an interesting and useful read, so please get in touch with your feedback and ideas for future editions

IN THIS ISSUE

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Mark Robinson
Founder

Taste Collectiv: the story so far... and seeking investment!

Our story started in 2014 when we were two busy bees working hard, rocking the 'nine-to-five' and spending what leisure time we had on our passions in life - travel and food.

It was while travelling on a romantic trip from Rome to Venice, that we had our moment of inspiration - fresh pesto. "Food at home just doesn't taste like this." Often the real ingredients are substituted, diluted, then filled with preservatives and put on a shelf for six months.

We decided to challenge the stagnant industry and make something fresh: using the correct ingredients to produce authentic sauces. Our aim was to create a pesto you could enjoy as if you were dining in a top Italian restaurant.

Fast forward to 2018 and we were voted into the region's Future50, recognised as one of the most high potential, ambitious companies in the region.

The industry

Our potential stems from the continued growth, in both volume and value, of fresh food with healthy eating picked as the most important trend in food by Euromonitor International in 2017 with "Natural foods becoming more popular, especially among younger generations."

> *Our potential stems from the continued grow in both volume and value of fresh food...*

Although current sauce ranges in supermarkets are ambient and mainly bought by families, often on low incomes, our fresh sauces are attracting younger and older couples shunning the ambient aisles in search of natural flavour filled products.

Our link with Future50, sponsored by Birketts, has enabled us to partner with the University of East Anglia (UEA), which has given us access to the Tesco's Clubcard database, providing an up-to-date picture of our consumer, which in turn is enabling us to adapt and deliver a product fit for today's modern consumer.

Investment – the EIS journey begins

To make the most of the consumers shift towards 'fresh' and our success to date, we are now looking for further investment. We have chosen the Enterprise Investment Scheme (EIS) as a way to raise capital as the scheme is so favourable to investors.

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EIS qualifying investors are able to claim tax relief of 30% on amounts invested in new shares in EIS qualifying companies up to maximum of £1m in one year, giving a maximum tax reduction of £300,000 per tax year. On the sale of their shares, the EIS investors' capital gains are also tax free if the shares are held for at least three years and income tax relief was claimed. A company may use this attractive tax treatment to raise up to £5m per year and a maximum of £12m in total over the life of the company.

Tax specialists such as those at Birketts can help companies to confirm, before issuing their shares, whether they qualify for the EIS scheme. It is worth investigating eligibility for EIS, since the generosity of the tax treatment afforded to EIS investors can offer potential investors in companies like Taste Collectiv a valuable sweetener.

The additional investment will enable us to take advantage of contracts offered in one of the biggest UK supermarkets and other significant catering contracts. This will involve a £150,000 investment and we have nearly completed all of the stages involved to secure funding. These are exciting times and I am hopeful that in the next edition of *Food for Thought*, Taste Collectiv will be reporting on a nationwide fresh sauce category in UK supermarkets.

Future50

Future50 is a collection of Norfolk and Suffolk's most innovative and ambitious companies. Future50 is delivered across Norfolk and Suffolk by Archant, with partners Barclays, Birketts, Lovewell Blake, Nwes and UEA adding ongoing support throughout.

Archant launched Future50 more than ten years ago and Birketts has been a supporter from the outset. We can help not only with legal advice but also through our network of other professionals sharing knowledge and experience. Future50 is open to Norfolk and Suffolk's small-to-medium sized businesses employing fewer than 250 people and with turnover of less than £40m. Anyone can apply, but we are looking for enterprising and innovative entrepreneurs and businesses with the greatest potential to have an impact on the local economy over the next three years.

Future50 members play an important and exciting part in the development of our region. By working with dynamic and progressive businesses with potential to stimulate local enterprise, Future50 provides a lasting legacy based on quality jobs and increased trade.

Mark Gipson
Partner
01473 406263
mark-gipson@birketts.co.uk

These businesses will play a key role in the local economy for years to come, providing inspiration and future support for the next generation of aspiring entrepreneurs and emerging companies.

If you are interested to know more about Future50, the application and selection process visit the Archant website or email mark-gipson@birketts.co.uk.

Soft Drinks Industry Levy

John Kahn
Senior Associate
01603 756520
john-kahn@birketts.co.uk

Background

In the 2016 Budget, the Government announced the introduction of the Soft Drinks Industry Levy, with effect from 6 April 2018.

Rates

The tax will be charged at two rates upon production or import of affected drinks: a 24p per litre rate for drinks containing sugar content above 8g per 100ml; and an 18p per litre rate for those above 5g per 100ml.

What's included, what isn't

Pure fruit juices, milk-based drinks, alcoholic drinks and certain substitutes will not be taxed.

A producer of drinks will be liable to register for and pay the Soft Drinks Industry Levy if the drinks produced, packaged, owned or brought into the UK meet all the following conditions:

- it has had sugar added during production, or anything (other than fruit juice, vegetable juice and milk) that contains sugar, such as honey
- it contains at least five grams (g) of sugar per 100 millilitres (ml) in its ready to drink or diluted form
- it's either ready to drink, or to be drunk it must be diluted with water, mixed with crushed ice or processed to make crushed ice, mixed with carbon dioxide, or a combination of these
- it's bottled, canned or otherwise packaged so it's ready to drink or be diluted
- it has a content of 1.2% alcohol by volume (ABV) or less.

"Pure fruit juices, milk-based drinks, alcoholic drinks and certain substitutes will not be taxed.

Sugar includes sucrose, glucose, fructose, lactose and galactose, but doesn't include replacements like stevia, aspartame, sucralose and erythritol.

The levy doesn't apply to the following:

- drinks that are 75% milk
- milk replacements
- alcohol replacements
- fruit juices or vegetable juices without added sugar
- liquid drink flavouring added to food or drinks like coffee and cocktails
- drinks that are sold as a powder
- drinks prepared by mixing liquids and served in an open container, like cocktails
- infant formula, follow-on formula or baby foods
- formulated food intended as a total diet replacement or dietary food used for special medical purposes.

A couple of interesting facts...

“In response to the new tax, Coca-Cola has taken a multi-pronged approach.

In response to the new tax, Coca-Cola has taken a multi-pronged approach. On the one hand, they have pumped money into marketing various permutations of the Coke Zero brand, with new flavours such as peach joining vanilla and cherry. On the other hand, they are not changing the original Classic Coca-Cola, learning from past experience. In 1985, Coca-Cola sought to reinvigorate the product with a sweeter recipe, known as 'New Coke'. Yet despite successful blind taste tests, the American public's reaction to the change was so negative that within three months, the company reintroduced the original formula, delivering a significant gain in sales. This time around, despite the sugar tax, the Classic Coca-Cola recipe remains the same, and the company have dealt with the levy by reducing the size of a range of the most popular 'red Coke' servings, to minimise the price increase passed onto the consumer.

A.G. Barr, the makers of IRN-BRU, however, announced that from January 2018 they would reduce the sugar content of the famous Scottish soft drink by 50%, from 10.3g to 4.7g per 100ml, just below the threshold at which the new sugar tax applies. The extra sugar has been replaced with a blend of low calorie sweeteners including aspartame. Despite a public petition and 'Hands off our IRN-BRU' campaign, however, Barr are holding firm.

Other drinks have also been reformulated, with mixed results. According to the April edition of *The Grocer*, Lucozade Energy has also been reformulated to avoid the new levy, but has suffered an 18% fall in sales in the year since the new recipe was introduced.

It will be interesting to see how the consequences of the new Soft Drinks Industry Levy plays out, which we may consider in further editions of this newsletter.

Seasonal workers

Concerns regarding the availability of seasonal labour are high on the agenda for the agricultural sector in the UK, more than two years since the Brexit referendum. Farming is the foundation of the UK's largest manufacturing industry – food and drink - worth in excess of £108b and employing around 3.8 million people.

Jennifer Leeder
Associate
01473 299153
jennifer-leeder@birketts.co.uk

A 2017 NFU survey found that the number of seasonal workers working on British farms had dropped by 17%, leaving some businesses critically short of labour to harvest fruit and vegetables. They estimate that horticulture employs more than 80,000 seasonal workers each year, which will increase to 95,000 by 2021.

The challenges in relation to sourcing labour aren't limited to the fruit and vegetable sector. The food and farming industry, particularly within food processing and the dairy, livestock and poultry sectors all need flexible workforces.

In summary, the NFU's Seasonal Supply of Labour Survey in 2017 found:

- there was a 12.5% shortfall in seasonal farm workers
- 90% of British fruit, vegetables and salads are picked, graded and packed by overseas workers
- around 60,000-70,000 seasonal farm workers are from overseas
- approximately 99% are from Eastern Europe (two-thirds of whom are from Romania and Bulgaria).

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Employers in the food and farming industry are concerned that the UK will be a much less attractive destination for overseas workers as a result of Brexit, in part, due to restrictions on free movement, as well as the increasing costs of travel and a weakened sterling. In short, it makes more financial sense for Romanian and Bulgarian workers to go to countries such as Germany rather than the UK.

Monitoring

In recognition of the horticultural industry's reliance on seasonal workers, many of whom are from the EU, the Office of National Statistics (ONS) and DEFRA launched a new quarterly survey in May 2018. A representative sample of farmer and growers will be randomly selected to provide information on the previous quarter's labour requirements to include their required - and actual - usage. This will be used to help the Government to monitor the sector more effectively.

Hope on the horizon?

Germany, Spain, Portugal and Poland have all introduced seasonal agricultural workers' permit schemes for non-EU nationals...

The Seasonal Agricultural Workers Scheme (SAWS), allowing foreign workers to reside in the UK temporarily in order to harvest fruit and vegetables, was removed in 2013 due to the increasing availability of EU workers. Germany, Spain, Portugal and Poland have all introduced seasonal agricultural workers' permit schemes for non-EU nationals, which means - unlike the UK - these countries now have access to seasonal workers from further afield.

In the meantime, the NFU wants the Government to commit to ensure that farmers and growers have access to sufficient numbers of overseas permanent and seasonal workers when we leave the EU.

In February, Michael Gove said that there was a "compelling" case for a replacement for SAWS after the UK leaves the EU next year and, more recently, the Immigration Minister, Robert Goodwill, has indicated that such a scheme could be introduced after Brexit. The pressure is now on for the Government to provide clarity on the new rules for EU migrants living and working in the UK well before free movement ends in 2019.

CCTV in the workplace

With food safety getting more attention than ever, business owners are increasingly turning to CCTV to protect their businesses.

Julie Gowland
Senior Associate
01603 756413
julie-gowland@birketts.co.uk

Video surveillance is an invaluable tool for maintaining food safety, whether it be in agriculture, supermarkets, grocery stores, production lines or other retail food service outlets.

CCTV can most obviously help protect from thefts but it can also help create a safer working environment, ensure that health and safety guidelines are adhered to, help identify faults with equipment and ensure staff are working as they should be. CCTV can also be used to help identify and remedy any food supply chain challenges, assist in the training of employees, provide transparency, verify procedures and enhance record keeping.

In certain instances, employers may have a legal or regulatory need to monitor. For example in May of this year the Mandatory Use of Closed Circuit Television in Slaughterhouses (England) Regulations 2018 (the CCTV regulations) came into force making it compulsory to have CCTV in slaughterhouses where there are live animals. Under these new CCTV regulations operators must install and operate the CCTV system by 5 November 2018 and ensure they keep the footage and information.

Whilst there can be real benefits to using CCTV, it can have its drawbacks that users should be aware of. New technology has made it easier than ever to set up camera surveillance, but the rules around data protection and human rights are much more complex. All business owners using CCTV should carefully consider the purpose for which they are using it in order to ascertain what rules they must comply with. This is especially important in light of the recent introduction of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

The use of CCTV engages data protection laws and, as such, any user will need to carefully consider these in light of the recent changes which increase potential liabilities for any breach. This would be particularly relevant when a new data processing process, system or technology is being introduced. The Human Rights Act 1998 (HRA) also applies; it gives the right to family and private life. If you are using CCTV, consider other people's rights under the Act as well as your own.

“Whilst there can be real benefits to using CCTV it can have its drawbacks that users should be aware of...

Used in the correct manner CCTV undoubtedly can prove invaluable to many businesses in helping a business to run better and ensure the health and safety of customers, employees and the foodservice business.

Top tips

- Be transparent about the use of CCTV and for what purpose.
- Display signs –which are clearly visible and readable.
- Only use the data for the purose it was collected for.
- Be aware of your duties under the GDPR, DPA and HRA.