



REPORT CONCERNING ECONOMIC VIABILITY
& SUSTAINING OF PUBLIC HOUSE USE

PREPARED BY

PETER J SCHOLES BSc (Hons) MCS MRICS
FLEURETS

in connection with the public house premises known as:

**White Swan
Low Street
Thornton-le-Clay
North Yorkshire
YO60 7TG**



22nd April 2021



CONTENTS

<u>Section</u>		<u>Page</u>
1.0	INTRODUCTION	1
2.0	THE PROPERTY	4
3.0	THE MARKETPLACE FOR PUBLIC HOUSES	13
4.0	THE ECONOMIC VIABILITY OF THE WHITE SWAN PUBLIC HOUSE	20
5.0	CONCLUSION	38
6.0	PROFESSIONAL DECLARATION	39

Appendices

PJS1	Premises License & Licensing Plan
PJS2	Sales Particulars
PJS3	Annual UK Beer Sales Data
PJS4	BBPA – Running a Pub Cost Guide



1.0 INTRODUCTION

1.1 Note on Current Exceptional Circumstances

- 1.1.1 Preparation of this report and the professional opinion sought has coincided with the Covid-19 pandemic health crisis and consequent economic uncertainty. In response to the pandemic the Government initially imposed restrictions on freedom of movement and required the closure of all non-essential businesses including public houses, cafes and restaurants from 23rd March 2020.
- 1.1.2 Following a circa 14 weeks' period of enforced closure, with effect from 4th July 2020 such businesses were able to reopen however subject to compliance with various rules and regulations imposed on operations and procedures.
- 1.1.3 With effect from 24th September 2020, public houses, restaurants and cafes are legally obliged to close and be emptied of customers from 10.00 p.m. daily and must operate only with table service. As cases of the virus increased further restrictions were imposed on trading within the tier system. The third and fourth tiers prevented public houses from operating, with the exception of takeaway service.
- 1.1.4 These restrictions were effectively surpassed by the reimposition of a second national 'lockdown' in November 2020, followed by a third in January 2021. From this second lockdown public houses have not been able to accommodate customers either internally or externally which has placed severe pressure on liquidity, despite government assistance.
- 1.1.5 From 12th April 2021 public houses are permitted to operate, albeit from external trading areas only. The 'roadmap' announced by the government sets a target date of 17th May 2021 for internal trading, however under restrictions. Full operation and the ending of measures such as social distancing is proposed from 21st June 2021.
- 1.1.6 As such the Covid-19 crisis issues and measures are a relevant factor to the issue of a public house premises' viability and I consider this more fully in Section 3 of this report.



1.2 Experience and Expertise

- 1.2.1 I am Peter Joseph Scholes, Associate of the national practice of Chartered Surveyors, property consultants, and agents Fleurets, dealing exclusively in the provision of property advice, sales, lettings and valuations of hotels, restaurants, public houses and other forms of licensed and leisure property.
- 1.2.2 I am a Member of the Royal Institution of Chartered Surveyors, a Registered Valuer and have experience in my specialist licensed and leisure property field. I am based at Fleurets' Manchester office and deal with professional matters throughout the North and North West of England.
- 1.2.3 At Fleurets I am responsible for undertaking professional work involving capital and rental valuations; rent reviews; lease renewals and other consultancy advice in respect of pubs, bars, restaurants, nightclubs, hotels and other leisure assets. My work is conducted for private owner/operators; pub companies; commercial investor landlords; local authorities; banks and other financial institutions.

1.3 Instructions

- 1.3.1 I have received instructions from Mr Richard Harrison, owner of the White Swan, following acquisition in August 2020, seeking a report detailing an expert opinion of whether or not the White Swan, Thornton-le-Clay ("the Property") is economically viable and has sustainable trade for the continued use as a public house. My opinion is to be prepared having regard to the known background circumstances and history of the property. In preparing this report I am only able to utilise information which is available to the current owner or is held within public access records.
- 1.3.2 I confirm that I have not had any previous dealings with either the White Swan public house or its current owners. For the sake of transparency one of my agency colleagues provided marketing advice for the previous tenant of the property in October 2018, however Fleurets were not instructed to sell their interest or the property and no fee was payable. I therefore do not consider this involvement to form a conflict of interest.
- 1.3.3 The opinions that I express herein have been prepared in the capacity of an expert witness on the instructions of the owner.



- 1.3.4 The Report complies with the requirements of the Royal Institution of Chartered Surveyors as set down in 'Surveyors Acting as Expert Witnesses: Practice Statement'.
- 1.3.5 A Professional Declaration is provided at the end of the Report.
- 1.3.6 For the avoidance of doubt I confirm that this report is not intended to be a valuation of the property, either rental or capital, and it is not therefore formatted to comply with the RICS practice statements relating to property valuations.

1.4 Planning Policy

- 1.4.1 My report has been commissioned by the property's owner to establish whether the White Swan is able to operate as a sustainable business. It is also necessary to demonstrate that a change of use and permanent extinguishment of the property's public house use, will satisfy the relevant planning policy tests.
- 1.4.2 My report specifically addresses my opinion of whether or not the White Swan is economically viable for there to be a successful reintroduction and thereafter sustaining of public house trading. As a part of my considerations, I identify the alternative public house amenities which are currently available for use by the local resident community within the surrounding rural district and thus forming the most immediate direct competition.
- 1.4.3 In considering my opinion I have had regard to the local planning authority's guidance contained within the Ryedale District Council Local Plan Strategy, dated 5th September 2013.
- 1.4.4 With the Local Plan Strategy document policy SP11 relates to Community Facilities and Services. In order to take a facility out of community use, the policy specifically states it must be demonstrated that:
- i. there is no longer a need for the facility or sustainable and accessible alternatives exists, or
 - ii. that it is no longer economically viable to provide the facility, or
 - iii. Proposals involving replacement facilities providing the equivalent or greater benefit to the community and can be delivered with minimum disruption to provision.



1.4.5 In respect of this report points i. and ii. above are within my instructions.

2.0 THE PROPERTY

2.1 Location

2.1.1 The property is located in the North Yorkshire village of Thornton-le-Clay, with the surrounding area being predominantly rural. The village lies to the south of the Howardian Hills Area of Outstanding Natural Beauty. Within the immediate area there are a number of small villages and hamlets including Flaxton, Sheriff Hutton, Welburn, Whitwell-on-the-hill, Barton-le-Willows and Claxton. The market town of Malton is approximately 8 miles to the north east, with the city of York approximately 9 miles to the south west.

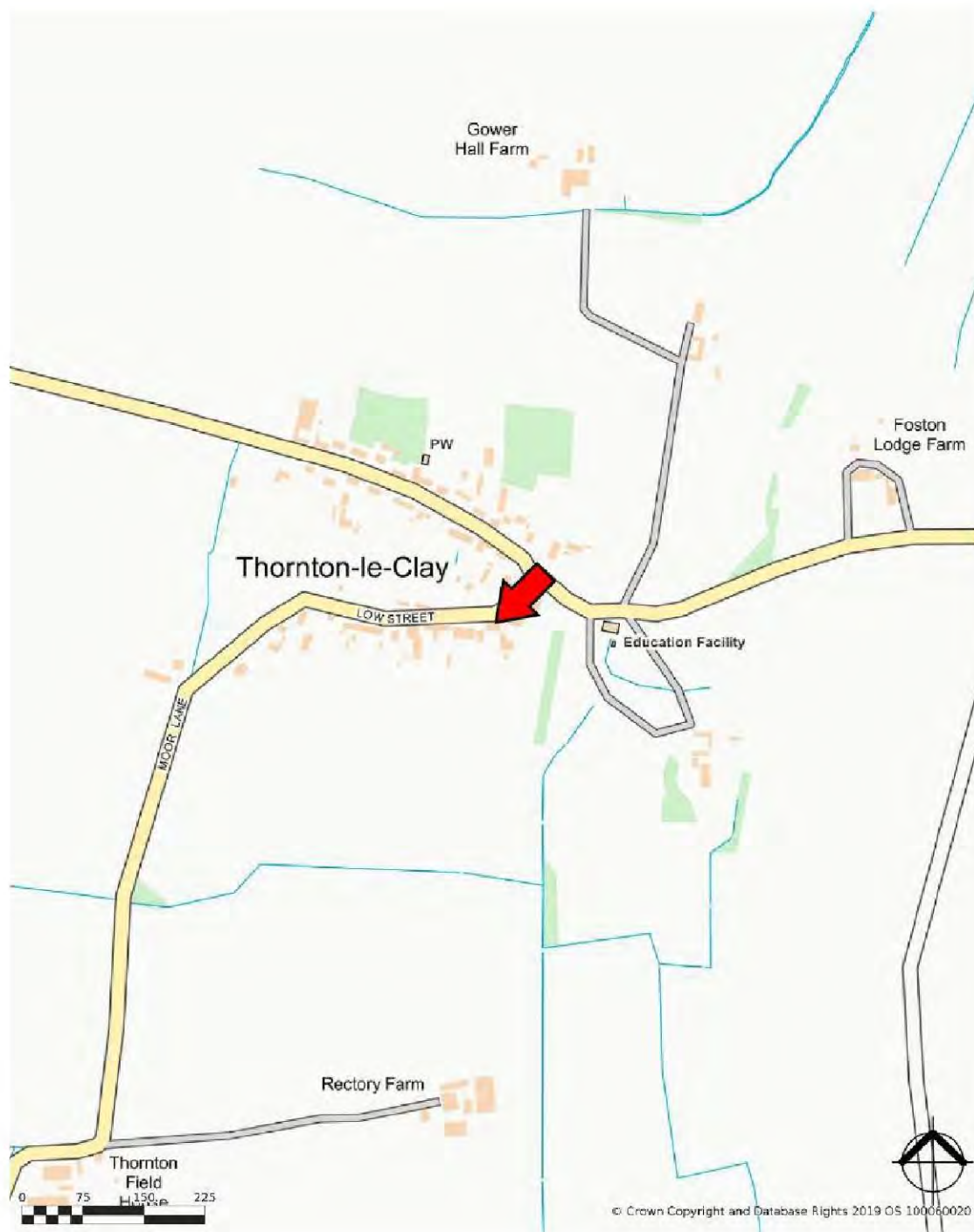
2.1.2 I understand that the properties within Thornton-le-Clay are in the main privately owned, however there are holiday lets nearby. The Village Hall is adjacent to the subject property.

2.1.3 The White Swan is situated on Low Street, one of two roads in the village. The property is close to the junction of these roads and on the southern side of the village. There are three car parking spaces which have been marked in the road nearby, however the remainder of Low Street, whilst unrestricted for parking is relatively narrow and would preclude on street parking in the area immediately surrounding the White Swan. This is an important consideration having regard to the customer base of the business.

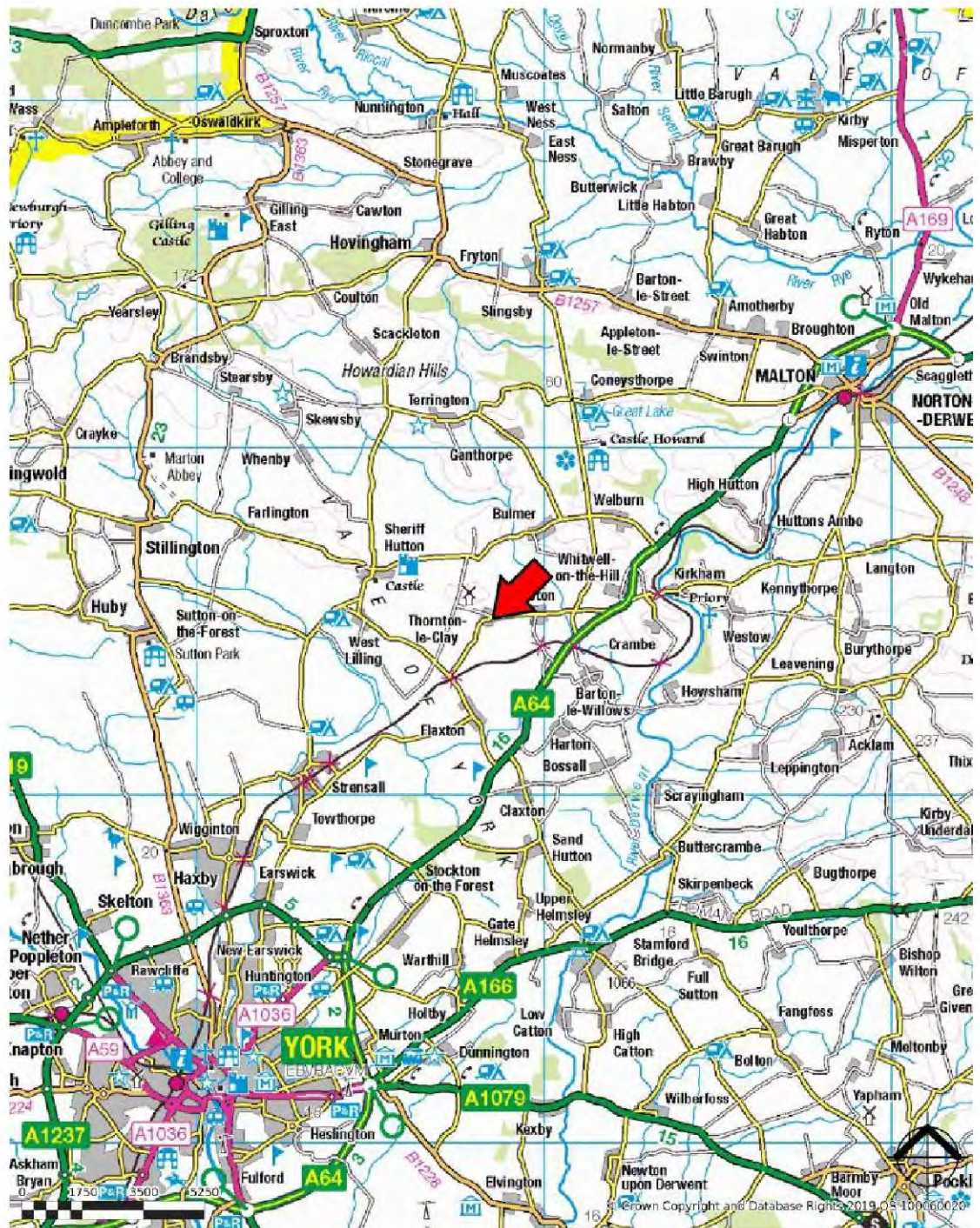
2.1.4 From the latest Census in 2011 the resident population of Thornton-le-Clay Parish is stated as being 209 residencies. If expanded to the Sheriff Hutton Ward, the data reflects a resident population of 1,729. In population terms therefore both the parish and ward are considered small.

2.1.5 For the purposes of public house trading the location and situation of the White Swan would cause it to be significantly reliant upon attracting car born destination type custom, there being very limited potential for custom derived from the nearby resident community. As a direct result of these location characteristics the operational trading style of the public house would of necessity, need to be substantially based on a food offer attracting custom for dining.

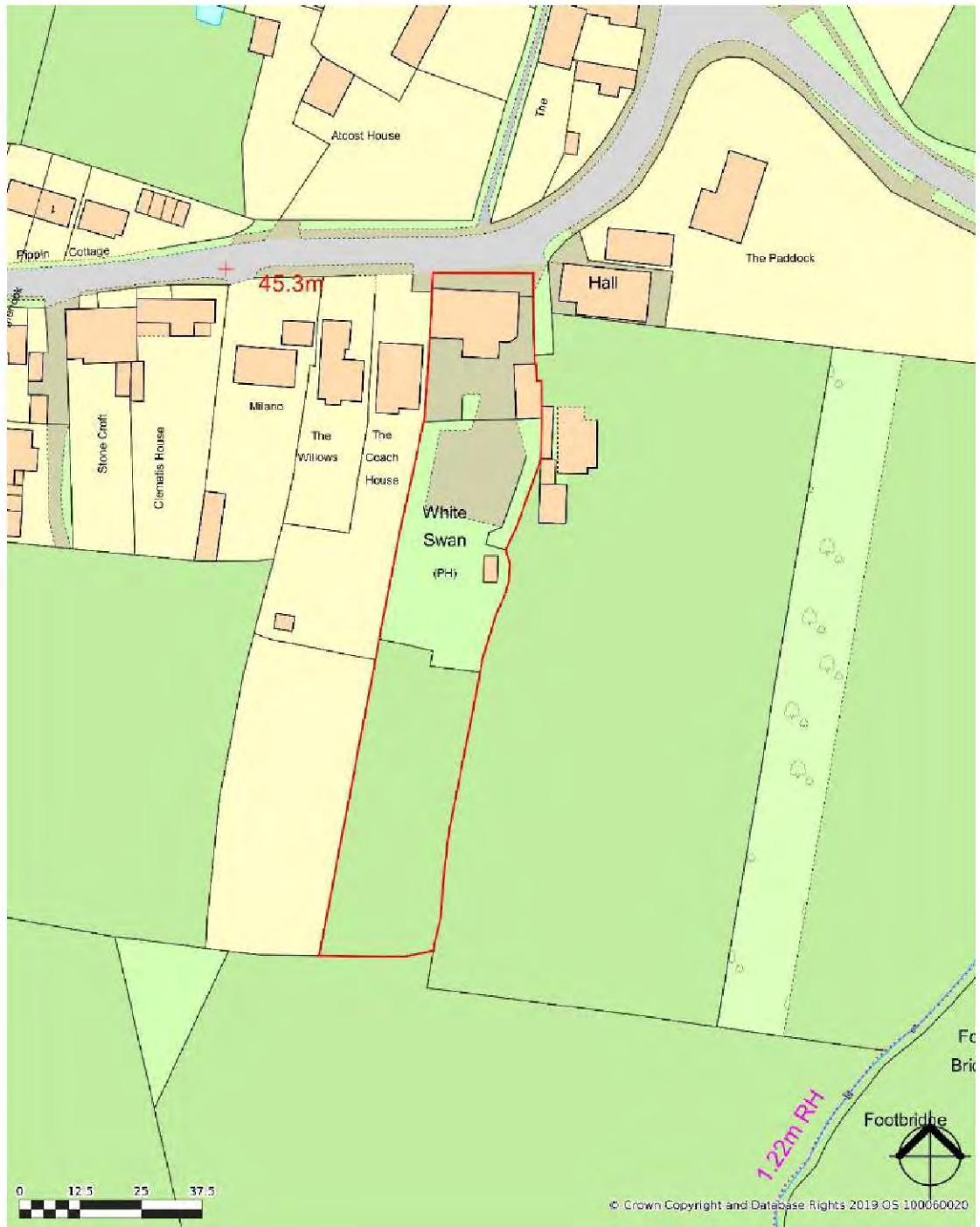
I set out below location and site plans:



Ordnance Survey © Crown Copyright 2021. All rights reserved. Licence number 1000047722



Ordnance Survey © Crown Copyright 2021. All rights reserved. Licence number 1000047722



Site Plan For identification purposes only. Not to Scale.



2.2 Description

2.2.1 The White Swan comprises a detached building of brick elevations and pitched pan tile roof which would appear to have been constructed in two sections. I understand that the original section of the property was significantly extended in the 1970's by additions to both the side and rear to form the current building.

2.2.2 The building is sited within grounds extending to circa 3,189.74 sq m (0.788 acres), albeit with the main building abutting Low Street with a small garden area to front. To the rear there is a gravel surfaced customer car park providing approximately 10 spaces. To the side of this there is an area of concrete hardstanding which I understand has previously been used as a trade patio and would provide in the order of 16 covers. To the south of the gravel there is open lawned area.

There is a two storey outbuilding to rear which at the time of my inspection was used as storage. I understand that this had been the use for a considerable time. This building was in a basic condition, with some potential structural issues noted.

2.2.3 Photographs showing the exterior of the property and its external grounds are set out below:-



Main Road Front Elevation



Rear Elevation



Rear Outbuilding



Car Park



Lawn to Rear



Access to Rear Car Park

2.3 Accommodation

2.3.1 The property is understood to have been subject to alterations in the ground floor trading configuration over the years. I note, as Appendix PJS1, the licensing plan, which differs from the plan provided within the recent sales details, which I attach as Appendix PJS2. For the purpose of this report I have, however, sought to reflect the trading area as noted at the date of my inspection, which corresponds with that of the most recent sales particulars and provides a larger trading area.

2.3.2 I would also note that at the date of my inspection the inventory and majority of the fixtures and fittings had been removed. From review of the most recent sales particulars, I understand that the property was sold without such inventory, fixtures and fittings. As a result I have had to estimate the number of covers within the trading areas and have sought to have regard from historic photographs sourced from third party websites, such as TripAdvisor.

The property has internal accommodation arranged over ground and first floor levels, briefly summarised as follows:-

Ground Floor

2.3.3 There is a single customer entrance to the front of the property, off Low Street, providing access into the area formerly used as a customer bar, however, the bar servery had been removed. Behind where the bar was positioned is a small beer cellar, however, the equipment within this has been removed.



- 2.3.4 To the rear of this there is a larger area understood to have been used as dining accommodation, with a further former dining room to the side of this. At the date of my inspection the furniture and trading inventory was not in place and therefore I estimate the rear larger rooms to be able to accommodate up to 40 covers.
- 2.3.5 Male and Female customer WC facilities are understood to have been situated at the ground floor to the rear and opposite the kitchen with a disabled WC to the rear of the large trading area. Prior to this the toilets were understood to have been at first floor at the rear of the building, with access from the larger trading room via a single staircase. At the time of inspection both the ground and former first floor toilets had been removed, with the rooms being in shell condition.
- 2.3.6 The back of house areas at ground floor level comprise the commercial kitchen and stores. During my inspection this area was used for storage and therefore there was limited accessibility.

2.3.7 First Floor

The first floor comprises domestic living quarters, arranged as a landing area leading to a living room, a bathroom/WC, kitchen and 4 bedrooms. To the rear of the building at first floor are the former customer toilets.

- 2.3.8 Photographs showing the property's accommodation at the date of my inspection are set out below:-



Former Bar Lounge and Entrance



Rear Former Trading Area



Rear Former Trading Area



First Floor Rear Storage



First Floor Domestic Kitchen



First Floor Living Accommodation

2.4 Services

- 2.4.1 The property is understood to be connected to mains electric water and drainage with the central heating being oil fired. Heating to both the ground floor public house and first floor domestic quarters was by way of central heating to radiators.

2.5 Condition

- 2.5.1 I have been provided with a copy of a building survey report dated 10th December 2019 and addressed to the previous owner of the property. I note during the period from this report to the present date, it would appear that the majority of the works recommended have been undertaken by the current owner, in particular those relating to the exterior.



2.5.2 There is an outbuilding which is currently used as storage, and it is understood that it has been used as such for a considerable number of years. This building appeared to be in a poor state of repair and both cracking and bowing/warping of walls was noted during my inspection. Internally this building was in a basic condition and would not be considered fit for use other than as storage by a prospective purchaser in its present condition. No planning permission has been sought for the redevelopment or further use of this building and it will require significant capital investment to bring this building into a commercial use alongside the public house.

2.5.3 The trade inventory was removed prior to the sale to the current owner and it would be necessary for an operator to re-furnish the premises. Given the location and style of operation it would be necessary to provide good quality furniture and the full replacement of a trade kitchen as the majority of trade is likely to be from food sales.

2.5.4 At the date of my inspection, the owner was undertaking refurbishment works of the property, with the ground floor being in a 'shell' condition.

2.6 Premises Licence

2.6.1 Enquiries made with the Licensing Authority indicate that the property has the benefit of a Premises Licence. The permitted opening hours are;

- 10:00 – 00:30 Daily

The sale of alcohol is permitted between the following hours:

- 10:00 – 00:00 Daily

For the purposes of my report I have assumed that the premises licence is valid with no outstanding issues, objections or appeals, which I understand to be the case.

2.7 Rating

2.7.1 The rateable values of public houses are assessed based on judgements made over their trading potential. A simple reliance on actual rateable values in order to arrive at an opinion of future trade potential is however not to be recommended nor is considered to be a reliable basis for such judgement.



2.7.2 Consultation of the website of the Valuation Office Agency shows that the White Swan has the following history of Rateable Values (RV):

Rating List 2010 – RV £5,250 effective 1st April 2010.

Rating List 2017 – RV £6,450 effective 1st April 2017.

2.7.3 The 2010 Rating List entry will have been based on the property's physical size and format applicable on 1st April 2010 however the economic and trading circumstances applicable on 1st April 2007, known as the antecedent valuation date. It is likely that the assessment will have been influenced by reports of actual trade achieved in the period 2005 to 2007.

2.7.4 The 2017 Rating List entry will have been based on the property's physical size and format applicable as at 1st April 2017 however the economic and trading circumstances applicable as at 1st April 2015, the then antecedent valuation date.

The minor increase between these dates would suggest a consistent and low level of trade over this sustained period and that the Valuation Office Agency considered the trading potential to be fairly low. I will deal with this later when I consider the fair maintainable turnover.

2.7.5 The property's domestic accommodation is included in the Council Tax Valuation List within value Band C.

3.0 THE MARKETPLACE FOR PUBLIC HOUSES

In this section I consider the economic, operational and social influences which have led to the current market and have an impact on the demand for trading potential and viability of public houses.

3.1 In the year 2007 the onset of the 'credit crunch' triggered a prolonged period of considerable economic uncertainty with the UK economy suffering a sustained downturn with double dip recessions in 2008/09 and 2011/12.



- 3.2 In Fleurets' experience, throughout the economic downturn lenders were reluctant to advance finance for purchases of public houses, particularly those which could not demonstrate robust levels of turnover and profitability or were closed to trade. We have seen a similar trend in lending due to the impact of Covid-19, with the loan to value ratios reduced, with finance generally being limited within the sector. Prior to Covid-19, even in an improved economic climate from that of the recession, in the absence of a sustained level of proven trade and profits, lenders are generally not prepared to provide funding unless an operator is prepared to offer alternative security. Banks tend to be averse to lending against leasehold interests. The larger multiple or corporate operators will not generally need to raise finance for individual property acquisitions however, such operators will usually only acquire sites where there is potential to generate sales in excess of £20,000 per week, net of VAT. I do not consider the White Swan to have any of the characteristics which would enable it to be able to generate such levels of turnover.
- 3.3 Whilst more recently the economy returned to positive growth, it has fluctuated. In 2017 GDP growth stood at 1.7%, falling to 1.3% in 2018 and rising marginally to 1.4% in 2019. With the onset of the Covid-19, growth has now turned into recession, with a sharp contraction of 9.9% in 2020, albeit this is now recovering, yet somewhat sporadically.
- 3.4 In June 2016 the UK voted to leave the European Union in the BREXIT vote. A trade agreement has now been reached, however it is reported that some import costs have increased, particularly in the food sectors. Whilst rising to 2.8% in November 2018, inflation has fallen steadily from this point, reflecting 0.7% in February 2021. This has triggered a lowering of the Bank of England's rate to 0.1%.
- 3.5 As a consequence of rising costs and the uncertainties caused by Covid-19, consumer spending is potentially at risk. Whilst the pub sector had proved relatively resilient to the various pre-Covid pressures, there were already widely reported struggles faced by the restaurant and retail sectors. Numerous restaurants across the branded, corporate and independent sectors have closed and/or been placed on the market for sale with profit warnings issued by a number of the major operators. Such issues have now been significantly exacerbated by the onset and consequences arising from the Covid-19 pandemic.



3.6 The average price of a pint, based on a combination of lager, ale and stout, has steadily increased over the preceding years from £3.27 in 2015 to £3.49 in 2019, its highest level. This reflects an increase of 6.73%, set against a generally weak inflationary environment. In the wake of Covid-19 there is likely to be further pressures on pricing driven by operator debt and increased procurement and operating costs. There is, therefore, a question as to the sustainability of increases in retail pricing given the conditions over the preceding years and in particular over the last 15 months, during the Covid-19 pandemic.

3.7 This all comes on top of the challenges that the licensed retailing trade sector has already been faced with over the last 20 years or so. Rising costs and increasing administrative burdens, together with legislative changes have seen significant threats to stability at all levels. Legislation publicans must have regard to include the following:-

- Licensing Act 2003
- Food Act 1984 (as amended)
- Food Safety Act 1990 (as amended)
- Equality Act 2010
- Regulatory Reform (Fire Safety) Order 2005
- Gas & Electrical Regulations in relation to the trade inventory

3.8 The mass beer market has seen and continues to experience a shift to the off trade, which combined with the success of anti-drink drive legislation have been significant factors leading to a general decline in volume of traditional on-licensed wet sales. Recent statistics, produced by the British Beer and Pub Association (BBPA) in their UK Quarterly Beer Barometer show a decline in annual beer sales in the on-trade between Quarter 4 2000 Quarter 4 2019 from 23,358,000 to 12,632,000 barrels, thus representing a decline of c.45% (in terms of 36 gallon brewers' barrels). The highest levels of decline were reported in 2008/09 which is consistent with the consequences of the introduction of the ban on smoking in public places, as well as the onset of the recession. I have omitted the figures for the 2020 year due to Covid-19, however it is clear that the figures will be significantly below the preceding year due to enforced closures of public houses.



- 3.9 During the same period annual beer sales in the off-trade showed an increase from 11,215,000 to 15,352,000 barrels, an increase of c.37%. This marks a significant switch between beer volumes consumed in trading premises such as public houses and those consumed at home purchased from retail outlets such as off licenses, general stores and supermarkets. The shift has been so significant that in 2015 the volume of beer sold in the off-trade for the first time exceeded the volume of beer sold in the on-trade, a trend which has continued. In Quarter 4 of 2000 the beer volume sold in the on- trade represented c.68% of the total, however by Quarter 4 of 2019 the on-trade contributed only c.45% of the volume total. A copy of the source data is attached at Appendix PJS3.
- 3.10 Regular eating out has become an established part of the British psyche and, as wet sales have declined, many pubs have sought to maintain and develop their business by focusing upon food led custom. However net profit margins on food led businesses are typically 5 to 10% lower than for wet led businesses. Consequently, such pubs are dependent upon achieving a higher level of food sales in order to replace lost wet sales if the overall net profit is to be maintained.
- 3.11 Local custom tends to be mostly 'walk-to' trade drawn from the immediate community, probably from less than ½ mile radius. Assuming the business is run in a good, competent and welcoming manner, trade will essentially be attracted by the convenience of the location and the opportunity to socialise with the local community. Local custom will tend to be concentrated towards weekday evenings and weekends.
- 3.12 In contrast to local trade, destination custom is often car borne and hence is attracted from a wider catchment area. Customers are drawn to an establishment by virtue of the nature of the facilities on offer, commonly including the availability of meals. Destination food led operations tend to be targeted to a particular market, which may be families, value orientated, fine dining, ethnic or traditional and offer particular desirable characteristics.



- 3.13 The essential characteristics of most destination led business are high visibility, ease of access and good parking. The family orientated businesses are usually run as high-volume branded outlets by multiple operators, typical examples of which are Chef & Brewer, Flaming Grill, and Hungry Horse. They may often be combined with outdoor and/or indoor children's play facilities. Such businesses demand prominent road locations, a site of $\frac{3}{4}$ to one acre, a built area in the region of 7,000 to 8,000 sq ft and customer area of 2,500 to 3,500 sq ft. There has been a significant expansion in the number of this type of operation in both urban and suburban areas over the last twenty five years.
- 3.14 In more recent years an increasingly important requirement has been for such units to be developed near to business parks or at transport intersections. The most active companies in this market in more recent years have been Marston's and Greene King. This development had abated prior to Covid-19 and in the latter part of 2019, one of the most active corporate developers of new public houses, Marstons plc, abruptly terminated their programme of expansion and development reporting that the investment simply failed to deliver a satisfactory return on capital. At present with the ongoing impact of Covid-19 there is very little demand for such development due to the cash-flow issues created as a result of enforced closure.
- 3.15 Customers will also be attracted to destination venues by their setting; for example waterside properties or those where there is some historic interest or relevance.
- 3.16 The locational characteristics of the White Swan are such that it will not be able to rely solely on a locally resident custom and by necessity will therefore need to attract and appeal to a targeted destination type of custom, the vast majority of whom will be reliant upon car journeys in order to access the property.
- 3.17 The consequences of the above described economic and social trends are seen as adversely impacting on public house trading, reducing alcoholic drink consumption, putting pressure on retail pricing and leading to an increasingly challenging market in which to operate. In the current market, there remains, at the date of this report, a significant risk in the emergence of further strains of the virus which may lead to the circumvention of the vaccine, in addition to the uncertainty which may still be created over the ability for pubs to fully reopen as previous, without the requirements for "Covid Passports".



3.18 The background of these economic and social trends, together with the current risks associated with Covid-19 increases the risks faced by those making investments in the sector, particularly where there is a history of business failure. Such circumstances which increase the risks of making an investment into a public house all apply to the subject property.

3.19 The 2020 & 2021 Covid-19 Health & Economic Crisis

3.19.1 At the date of preparing this report, the world is subject to a Coronavirus pandemic known as Covid-19, a cause of millions of infections and hundreds of thousands of excess deaths across all continents.

3.19.2 The outbreak of Coronavirus was first reported in Wuhan in the Hubei Province of China in December 2019. In January 2020 the virus had spread outside of mainland China with cases reported in Taiwan, Japan, Thailand, South Korea and the USA, and at the end of January the first cases were reported in the UK.

3.19.3 The spread of the virus was so extensive and destructive that most countries placed themselves in a form of societal 'lock down', closing borders and imposing strict restrictions on movement of people and travel.

3.19.4 In response to the growing prevalence of Covid-19 infections, on 20th March 2020 the UK Government took the unprecedented step of forcing the closure of all non-essential shops together with all pubs, bars, restaurants, cafes and other leisure facilities. The UK was placed in full lock down from 23rd March with employees encouraged to work from home and only essential travel permitted.

3.19.5 The impact of the lock down has been felt acutely across most sectors and businesses which contribute to the UK economy and has in particular adversely impacted on leisure, travel and hospitality operators whose sales income was effectively immediately halted.



- 3.19.6 From June 2020, the UK Government began a gradual easing and lifting of the imposed restrictions, with steps taken to encourage a return to a semblance of normality with the intent of restarting the economy. However in September 2020 the numbers of cases began to increase significantly and further trading restrictions were imposed upon the sector, with the introduction of a 'tier' system. Many areas across the north of the country in particular were subject to increasing levels of restrictions under the system, with a second full national 'lock down' being announced in November 2020. This caused many pubs to close, with few areas remaining open immediately prior to this in which trade could be maintained.
- 3.19.7 In the period between the end of the second 'lockdown' in early December and the start of the third 'lockdown' in January, very few pubs were able to open within the North of England. This third 'lockdown' has lasted to 12th April 2021, in which time no pubs have been able to open for either internal or external service. From 12th April outdoor service has been able to be resumed, with a planned date of 17th May for the resumption of internal service, albeit subject to social distancing measures. The cessation date of all measures is, at the date of this report, 21st June 2021.
- 3.19.8 At the time writing there remains key issues for pubs in relation to Covid-19, including that of 'Covid Passports', whereby patrons will be required to demonstrate they are Covid negative or have been immunised. Such requirements put significant pressure on operators and add to the staffing costs in order to meet compliance.
- 3.19.9 In the above noted exceptional market and economic conditions, the prospects for the trading of public houses is particularly uncertain. It is not possible for any party to reliably predict when a previously successful trading business will return to and be sustained at, the previously established trading level. Some public houses may in fact never return to their previous trade performance. As a direct consequence of these circumstances, the successful relaunch for trade of an already closed public house in need of considerable immediate capital expenditure, will present even greater risks and challenges for any party considering taking on such a venture. The uncertainties and risks involved have accordingly undermined confidence to an even greater extent than was the case prior to the onset of Covid-19



4.0 THE ECONOMIC VIABILITY OF THE WHITE SWAN PUBLIC HOUSE

4.1 Viability Factors

4.1.1 When assessing the viability of a public house there will be differing qualities and extent of information available to assist with judgements, dependent on the particular background circumstances applicable to each individual case. In the subject case the public house is currently closed and is believed not to have traded since March 2020, having closed due to Covid-19 and subsequently vacated by the tenant, with the property then placed on the market and sold in August 2020.

4.1.2 I will firstly consider the matters which impact on the judgements of a party considering making an investment in acquiring and then operating a freehold interest public house.

4.1.3 A public house is a facility where trading involves the retail sale of both alcoholic and soft drinks; snacks; sometimes food; and occasionally providing bed & breakfast accommodation to paying guests. The fundamental motivation and purpose of owning and operating a public house is to generate an income and profit. For a public house to be economically viable, the owner whether as an individual or a partnership, must be able to derive a satisfactory living from operating the public house after having met all the costs and liabilities associated with ownership and trading the property and business. The individual or company must be able to achieve a sufficient profit from the operation in order to justify in commercial terms, the investment required in its freehold acquisition and as remuneration for engaging in its subsequent operation.

4.1.4 For a freehold public house owned and directly operated, the income/profit which is appropriately used to assess economic viability is that which is achievable after deduction of all operating expenses and costs associated with funding the required investment in, the property's acquisition; any required new/replacement trade furnishings and equipment; any required repairs/refurbishment; and the provision of stock and working capital. Such capital requirement will in most instances be made up from a combination of an owner's own capital reserves and from borrowed funds.



- 4.1.5 In order for a public house to be economically viable, the net income/profit must be sufficient in order to incentivise the owner/purchaser to undertake the entrepreneurial endeavour and risk associated with the venture. In either case the appraisal of economic viability must take into account the realistic costs which would be incurred in order to put the premises into a condition so that it is fit and ready for the commencement of trade.
- 4.1.6 Secondly, I consider the matters which impact on the trading potential of a public house:
- 4.1.7 The customers of a particular public house must have chosen to travel to the particular property, whether walking, driving or cycling, in order to enjoy drinking or dining, in the social environment provided at the premises. The attraction of custom to a public house necessitates persuading individuals to choose one property over others which they believe to offer the same or similar facilities. Such customer choice involves personal judgements over such issues as, the desired means of travel; the likely travel time; the ease of journey; the distance to be travelled; the nature of the customer environment provided; and the nature and retail cost of the drink and food offer made available. The proximity of a public house to a pool of prospective custom will therefore be a key determining factor.
- 4.1.8 The potential custom which is available to any particular public house will inevitably have alternative options, i.e. the relevant competition. Thus, a public house is obliged to operate within a competitive trading environment, with prospective customers making comparisons over the various factors which influence their choice.
- 4.1.9 The various characteristics of a public house and its potential custom, may however change over time, such changes caused by external factors which either have a positive or a detrimental impact on economic viability. It is a fact that over time particular external influences can be significantly detrimental to trading potential, and hence as a direct consequence may also adversely impact on economic viability.
- 4.1.10 The key external influences of particular importance to public house trading include local demographics and population; social and cultural changes; economic changes; legislative changes; increases in operational and ownership costs; and increasing staff employment costs.



- 4.1.11 The economic viability of a public house is based on an assessment which is made at a particular moment in time. The assessment must take into account the individual background circumstances of the property under consideration, including any known recent trading history and the trading status at the time of making the assessment. The assessment must reflect the costs which are reasonably necessary to incur in order to complete the property's purchase and any preparation works/investment required in order to make the public house legally and commercially ready for the commencement of trade.
- 4.1.12 In the circumstances of a public house being closed for trade, such as the subject, there are reasonably expected to be additional costs and risks to a party contemplating its purchase and planned recommencement of trading. The fact of a public house's previous closure for trade, has a detrimental impact on the goodwill associated with the particular public house and its reputation in the local market. On any recommencement of trade of a previously closed public house, it will take time in order to re-establish sales, and in consequence the operation is unlikely to be capable of generating a profit for a period of time following the re-opening.
- 4.1.13 It is desirable to be able to review financial information recording past trade performance of a site should this information be available, in order to help make the required judgement over future potential. However, such historic records are not always available and in incidences where there is no trade performance history, prospective operators must rely wholly on their own judgements and experience.
- 4.1.14 The British Beer and Pub Association (BBPA) have produced documentation to assist pub tenants in assessing public house operational costs and this data is of particular assistance in instances where there is an absence of past trading records.
- 4.1.15 In addition, the Campaign For Real Ale, CAMRA, has published a Paper – "Public House Viability Test" which identifies a number of factors they recommend it is appropriate be considered when appraising a pub's trade potential in a variety of scenarios. It is necessary to note the CAMRA Paper is not adopted planning policy, it can however be treated as a guide to appropriate considerations.
- 4.1.16 Arising from the planning policy under SP11 referred to above in section 1.3 there are in my opinion two issues that need to be addressed, namely:



- The existence of alternative facilities which provide for people's day-to-day needs; and
- The continuing viability of the business.

I shall address these issues in turn.

4.2 Local Public House Competition/Alternative Amenities

4.2.1 There are a number of public houses located around the rural district surrounding Thornton-le-Clay and the White Swan. It is helpful to consider these alternative public houses, which not only offer alternative facilities to the local communities but importantly would form direct competition to a party wishing to relaunch pub trading at the White Swan.

4.2.2 From my review of the locality, I have identified the following community facilities, public houses and businesses as relevant competition. I note that at the date of my inspection, pubs, restaurants and cafes were closed for trade, other than takeaway provision, due to the impact of Covid-19. My inspection was therefore limited and based to a larger extent on online research.

Thornton-le-Clay Village Hall – (adjacent)



A traditional village hall within the village. This hall can be used for meetings and other community activities.

Highwayman Inn, Sheriff Hutton – (2 miles away)



A traditional pub with food provision within a significantly larger village.



The Castle, Sheriff Hutton – (2 miles away)



A traditional pub within a significantly larger village.
Quarmby's Coffee Shop is within the village and provides further competition.

Thompsons Arms, Flaxton - (1 mile away)



Traditional public house providing both beverage and letting accommodation.

Blacksmiths Arms, Flaxton (2 miles away)



A destination food led pub with 3 en suite letting rooms within a larger village.

Sandburn Hall, Flaxton (2.5 miles away)



A significant venue with hotel restaurant, function venue and golf course.



Jinnah Indian Restaurant & takeaway, on the A64 – (2 miles away)



Situated fronting the A64, again providing a destination food offer with a greater level of car parking.

Old Stone Trough Inn, Kirkham Abbey – (3.5 miles away)



Traditional destination food led pub with large car parking and external seating area and adjacent to Kirkham Priory, which provides a visitor attraction.

Blacksmiths Arms, Westow – (4.5 miles away)



Traditional village destination food pub within significantly larger village.

Crown and Cushion, Welburn – (3 miles away)



Traditional village pub providing both food and drink, together with private function hire. Together with accommodation. There is a substantial car park to the rear. Dough café is also opposite.



- 4.2.3 From the above review of the alternative public house and other provision located in the rural district surrounding Thornton-le-Clay, it is apparent that the local village communities and those accessing the district by car are served by a range of long established alternative public houses which provide both food and wet led offer, with some also providing overnight accommodation and function space. A prospective future operator of the White Swan would be conscious of the extent of the established competition and would be concerned over the need to effectively attract custom away from these other public houses/pub-restaurants. In my opinion in the marketplace of 2021, the local district surrounding the White Swan is more than adequately supplied with public house amenities, albeit that residents of Thornton-le-Clay are reliant upon car borne access, which is considered typical for a rural setting.
- 4.2.4 I would also note that unlike some of the other surrounding villages, there are no other businesses which would be likely to support any significant travel to the village and thus assist the trade at the White Swan.

Having regard to the above I conclude that within the surrounding area of Thornton-le-Clay there are sufficient premises that can cater for the community needs.

4.3 Assessment of the White Swan's Current Trade Potential

- 4.3.1 When assessing the viability of a public house there will be differing qualities and extent of information available to assist with the necessary judgements, each case being dependent on the particular background circumstances and history applicable to the specific premises under consideration.
- 4.3.2 To assist an assessment of the viability of the White Swan it is necessary to form an opinion of the property's Fair Maintainable Turnover (FMT), this being the level of trade that a Reasonably Efficient Operator (REO) would expect to achieve from all forms of income, when running the business in a proper manner on the assumption that the property is properly repaired, maintained and decorated.



- 4.3.3 From the FMT the Fair Maintainable Operating Profit (FMOP) that a REO would expect to achieve is assessed taking into account the age, location, style, configuration and size/quality of the accommodation provided by the property, as well as the style of the trade proposed to be undertaken. The operating profit is stated before the deduction of costs of finance, depreciation, owner's remuneration/drawings and any one off exceptional costs.
- 4.3.4 In arriving at my assessment of trading potential of an existing public house, I would normally have regard to any available historic trade performance data in respect of the subject and other similar properties. In addition, it is necessary to have regard to any established market trends in public houses performance over recent years.
- 4.3.5 In addition it is also necessary to have regard to any established market trends in public house performance over recent years and in particular, the current environment surround Covid-19.
- 4.3.6 In making an assessment of trade potential it is necessary to make an assumption that the property receives the investment required for it to be presented in a good condition of repair and decoration. In respect of the subject property this would involve the undertaking a comprehensive scheme of fitting out to both the ground floor trading and back of house areas. It would be unrealistic for a party to contemplate investment in the public house with an intention of reintroduction of public house trading unless the property is able to be presented with a satisfactory quality of internal customer and ancillary areas.
- 4.3.7 The White Swan is understood to have been used as a public house for a considerable period of time. The property is believed to have been extended in the late 1980's or early 1990's, to provide further living accommodation and a kitchen, yet it is believed this was not for trade use. It is this iteration which is shown on the licensing plan. Subsequently, the trading accommodation was reconfigured to reposition the kitchen within the former private accommodation and use the rear area as a dining room. This reflects a clear focus on food trade, which is in line with the documents which I have sourced online from when the business was operational.



- 4.3.8 No trading accounts were provided at the most recent sale of the property in August 2020. The business was closed at the time of sale and prior to this period, I understand that the business had been operated by a tenant, the landlord would not therefore have had visibility to accounts. No accounts information is available prior to this period and as such, a prospective purchaser would have no previous trading accounts on which to base their opinion of FMT and profitability.
- 4.3.9 I have, however interrogated Fleurets database and note that a colleague met with the previous tenant in June 2018. From the file I note that turnover was stated to have been in the order of £160,000 (net of VAT). It is my understanding that this was the latest trading operation at the White Swan prior to its closure. I note that the Rateable Value over both preceding assessments would support a figure of this level.
- 4.3.10 In order to arrive at my opinion of an FMT, the first step is to consider the target market for the business in question. Having regard to the physical characteristics of the White Swan and its location I am of the opinion that the most appropriate style of trade would be as a destination food house incorporating an element of wet led community trade, in line with the previous operation.
- 4.3.11 The level of potential trade will be restricted by the location, car parking provision, size and configuration of the trading area and the availability of alternative facilities as referred to at 4.2.2 above.
- 4.3.12 I note that the premises were closed Monday and Tuesday, with evening opening on Wednesday to Friday, with Saturday and Sunday being the only days on which the business remained open throughout the day. I would consider that had the trade supported it, the opening hours would have been extended.
- 4.3.13 Having regard to the property's location, style and the availability of alternative food offers, I consider that it would be realistic to envisage a sales potential from all sources in the region of £3,500 per week. Thus, for the purposes of undertaking a viability analysis, I adopt a fair maintainable turnover (FMT) of £182,000. I have assumed that such sales would be 70% food, i.e. £127,400 and 30% wet, i.e. £54,600.



4.3.14 On the basis that the pub's trading will need to be substantially driven, by a destination custom for food, I consider that it is unrealistic to expect any meaningful contribution to income to be derived from amusement machines/games, i.e. gaming machines, quiz machines and pool tables. It is not considered economically viable for an operator to fill the majority of one of the rear rooms with a pool table, or even darts board. I would also consider, within a destination food business, it unlikely that any gaming machines would be present, which may distract from the impression to diners.

4.3.15 For the purposes of my assessment of viability I assume that the property is available to its operator as an unencumbered freehold interest, thus I assume the occupier/operator would be free of any beer tie. This assumption has a direct impact on the gross profit margin that can be achieved from drinks sales. The gross profit margin reflects sales against the cost of purchasing the products for resale. With drink sales, I have assessed based on experience, an overall wet gross profit performance at 65% i.e. £35,490, say £35,500.

4.3.16 The food gross profit margin needs to reflect what I consider will be a good quality traditional pub food offer, hence one which is not premium priced. As a consequence, I adopt a gross profit margin at 60% i.e. £76,440, say £76,500.

4.3.17 I therefore assess the gross profit achievable as follows:-

	£
GP from Wet Sales	35,500
GP from Food Sales	76,500
Overall GP	112,000
Overall GP % of overall sales	61.5%

4.3.18 It is necessary to consider the costs involved in running the business and maintaining the property. Such costs will vary as a result of numerous factors which include the level of sales, size/configuration of the property and sales mix. In the absence of any available evidence of actual operating expenses for the White Swan to assist in such judgement, I have regard to operating expense levels derived from industry research detailed in the BBPA publication - Running a Pub, a Guide to Costs for Tied Tenants and Lessees - 2019. I have also had regard to my experience of similar properties within the wider area.



- 4.3.19 The BBPA document provides advice to tied tenants, however the drinks tie impacts only on the gross profit line and therefore the data on operating costs is considered to be a reliable and appropriate guide for the purposes of this viability exercise. The BBPA publication seeks to distinguish between different levels and styles of pub trade. In the case of the White Swan I consider that the costs contained within the BBPA model for a "rural character" category of pub with a trade level of circa £5,000 per week is the most relevant, albeit I acknowledge my opinion of FMT is below this, I have sought to modify the costs as appropriate.
- 4.3.20 The model identifies operating costs of 40.3% of sales, which includes a labour expense equal to 22.5% of sales, however adjusting to exclude the costs related to interest on tenant's working capital reduces the total operating expense to 39.8% of sales. It should be noted that such costs do not provide for either a manager's salary or an owner's remuneration or for entertainment costs. I attach, as Appendix PJS4, a copy of the 'model'. It should also be borne in mind that these statistics also assume a full rates bill which is not the case for the White Swan. Adopting a considered view of operating expenses, I adopt total operating expenses for the White Swan of £70,070, say £70,000, equivalent to circa 38% of adopted total sales.
- 4.3.21 My assessment of net profit i.e. the Fair Maintainable Operating Profit, before the expenses of finance and owner/operator's remuneration is therefore £41,930, say £42,000, which equates to circa 23% of the adopted total sales. In my experience such profit percentage of total sales is a reasonable profit expectation for a rural located pub of this trading style. It would also assume an owner operating couple who would share some of the kitchen and bar work.
- 4.3.22 I reiterate, the above assessment of FMOP is stated before accounting for an owner's remuneration or any costs of finance the owner/operator is obliged to incur.



- 4.3.23 An owner/operator of a public house such as the White Swan must be able to expect a reasonable return on their effort, labour and business risk taken if investing in acquiring, re-establishing and operating the business. To an extent, such expectations of an operator are subjective, but as a helpful independent guide, I refer to the legal case of *Brooker - v - Unique Pub Properties Limited (2001)* (Chancery Division Bristol District Registry Case No. BS002253) which gave consideration to the appropriate level of remuneration that a public house operator would reasonably expect to receive. In that case it was stated that at that time, the minimum remuneration an operator would expect was £20,000 per annum. If this figure is adjusted to reflect the subsequent increase in average earnings, it would now equate to a figure in the region of £33,000.
- 4.3.24 Regard also needs to be had to the cost of finance, i.e. the cost of funding not only for the property purchase, but also to cover the costs of any works that need to be undertaken together with required replacement of trade furnishings, equipment and effects, as are considered necessary to enable the business once relaunched, to realise its trading potential. I understand that the property was sold without the majority of such fixtures, fittings and equipment and these would need to be replaced. A replacement of the customer toilets would also be required, alongside the fitting out of a trade kitchen. I have reflected costs of £50,000 for the replacement of a kitchen, toilets and furnishings to enable trade at the level of my FMT.
- 4.3.25 For the purposes of the appraisal, it is also necessary to assume a notional purchase price for acquiring the freehold premises. The property was sold in August 2020 for £450,000, with the trading inventory and kitchen equipment having been removed. This is therefore considered market evidence, with the property understood to have been placed on the open market and I have considered this figure within my calculations below.
- 4.3.26 I have however, also sought to reflect a value which I would consider in line with the prevailing evidence of sales for public houses within the wider area. It may be considered that August 2020 sale price reflected an element of hypothetical residential value. For the purposes of this report I cannot assume planning consent has been or will be granted for any conversion of the property and therefore must ignore any additional value attributed to the additional residential "value". I have therefore provided a second set of calculations below. I set out below evidence of public house sales within the wider area which I have used to assess the subject:



Black Bull, Market Place, Middleham, North Yorkshire, DL8 4NX



Sale Date:	March 2021
Tenure:	Freehold
Sale Price:	£245,000
Turnover:	£128,048
Adjusted Net Profit:	£43,868
Conversion Rate:	34.26%
Yield / Multiple:	1.91 x turnover / 5.58 x profit

Location & Description

The property comprises a traditional stone built corner pub within the centre of a small market town. Internally the trading area spans the ground floor with two lounges providing approximately 50 covers. In addition there are three en suite letting bedrooms at first floor which were not in use, albeit requiring investment. At second floor there is a further two bedrooms and stores, albeit with no on site owner's accommodation, which would likely require the loss of the first floor.

Trading Information

The business had in the year ending 2018, being the one prior to the accounts noted, traded at a turnover of £173,079 with an adjusted net profit of £44,144, reflecting a conversion rate of 25.5% and thereby a stable level of adjusted profit. The former owner was understood to be a 'hands on' owner operator. The trade was wet only.

Fox Bar & Bistro, 46-50 Oldham Road, Ripponden, West Yorkshire, HX6 4DP



Sale Date:	February 2021
Tenure:	Freehold
Sale Price:	£340,000
Turnover:	Unknown
Adjusted Net Profit:	Unknown
Conversion Rate:	Unknown
Yield / Multiple:	Unknown

Location & Description

The property comprises a two storey end terrace pub restaurant fronting the A58 in the west Yorkshire town of Ripponden. Internally the trading accommodation was arranged as a bar lounge and dining room providing a total of 80 covers over ground and first floor trading areas.

Trading Information

At the time of sale the business has entered receivership and therefore no longer trading profitability. Prior to this, in 22018 the property was sold for £600,000 with proven accounts showing a turnover of £706,980 and a net profit of £82,960 and therefore reflective of a multiple of profit of 7.23, albeit we understand that significant improvement could have been made to the profitability at that time, with an estimated adjusted net profit in the order of £170,000. We understand the purchaser is intending to continue use as a pub restaurant.



Old Horn Inn, Spennithorne, Leyburn, North Yorkshire, DL8 5PR



Sale Date:	April 2019
Tenure:	Freehold
Sale Price:	£230,000
Turnover:	£100,951
Adjusted Net Profit:	£36,883
Conversion Rate:	36.54%
Yield / Multiple:	2.28 x turnover / 6.24 x profit

Location & Description

The property comprises a traditional rural pub within the Yorkshire Dales National Park and comprises a two storey building with trading area at ground floor and owner's accommodation above. The property is understood to have been in a reasonable state however would benefit from refurbishment.

Trading Information

The business is considered to be a lifestyle business and not operated intensively. Therefore the turnover was considered to be low, equating to c. £2,000 per week. The profit is understood to be due to the basic running costs and hands on operation of the business.

Black Lion, 8 Market Place, Thirsk, North Yorkshire, YO7 1LB



Sale Date:	August 2018
Tenure:	Freehold
Sale Price:	£321,550
Turnover:	Unknown
Adjusted Net Profit:	Unknown
Conversion Rate:	Unknown
Yield / Multiple:	Unknown

Location & Description

The property is located in the centre of the attractive market town of Thirsk. Facing onto the A61 main road running through the centre of town fronting onto the eastern edge of the market place. The surrounding occupiers are predominantly retail with other leisure based operations scattered around the market square. The property comprises a mid-terrace town centre building with lounge and restaurant areas providing approximately 70 covers, in addition to a 32 cover external patio.

Trading Information

The business was closed at the time of sale and is understood to have been trading poorly, having been a former tenanted operation, requiring investment. The property was subsequently let to a private individual on a free of tie 10 year lease, on a full repairing and insuring basis. The rent was stepped with a rent of £20,000 in the first year and £30,000 per annum thereafter subject to review.



New Inn, Main Street, Huby, North Yorkshire, YO611HQ



Sale Date:	March 2018
Tenure:	Freehold
Sale Price:	£250,000
Turnover:	Unknown
Adjusted Net Profit:	Unknown
Conversion Rate:	Unknown
Yield / Multiple:	Unknown

Location & Description

The property is located in the centre of the attractive village of Huby, approximately 10 miles to the north of York and within a rural area. The property comprises a two storey building with external trading area to front and car parking for approximately 6 vehicles. To the rear there is further external seating with a range of outbuildings and additional parking for 8 vehicles. Internally there was approximately 56 covers over three trading areas.

Trading Information

The business was closed at the time of sale and is understood to have been trading poorly, having been a former tenanted operation, requiring investment. The purchaser sought to operate as a public house following refurbishment.

4.3.27 Therefore, the purpose of my second calculation and having regard to evidence of other sales I adopt what I consider to be a credible acquisition cost having regard to the location, size, style, age and condition of the property of £250,000 i.e. 1.37 x my FMT. I believe this to be appropriate in reflecting the unproven business, without accounts, with the inventory removed and the business being closed.

4.3.28 In addition to the purchase price a purchaser must also account for Stamp Duty Land Tax together with professional fees for the property acquisition. The assumed purchase price of £450,000 would typically trigger a liability for SDLT 90% of this amount i.e. £405,000. This would produce a SDLT liability of £9,750. If the figure of £250,000 is applied as per the above, then the SDLT liability would be £1,500.

4.3.29 The purchaser would also have to acquire stock and provide working capital thus say a further £15,000.

4.3.30 Accordingly, I am of the view that a purchaser of the freehold for the purposes of a continuation of public house trading would need to have access to £537,250, in order to acquire the property, undertaken the required refurbishment and refitting and trade at the FMT and FMOP levels. If the figure of £250,000 for the purchase of the freehold is adopted, then a prospective purchaser would require £329,000.



- 4.3.31 In respect of the assumed freehold tenure, in my experience it is highly unlikely in the current market that a lender would fund any more than 50 to 60% of this sum and then most likely only if the purchaser was an experienced operator, accounts are available to support the projected trade and/or the borrower is able to provide alternative security. This is particularly prescient in the current Covid-19 impacted market and there has been a notable lack of lending from traditional high street sources.
- 4.3.32 A purchaser would need to fund the balance of the cost from their own resources and hence would incur the opportunity cost of being unable to invest the money elsewhere. The cost of finance is therefore appropriately calculated as a minimum based on the total capital required both borrowed and self supplied. In the current market a typical loan term for a commercial property such as this is up to 20 years with interest rates of 5%, albeit due to the lack of traditional high street lending there is considerable pressure on such rates with lending coming from alternative lenders, which often seek a higher return. Given the characteristics of the subject property, I would consider an interest rate of 5% to be conservative, however I have adopted it for the purpose of my calculations. I would also note that there are likely to be set up fees for the mortgage, which I have added to the costs noted.
- 4.3.33 On the basis of a borrowed funds requirement of £322,350 over 20 years at 5% interest, this would equate to an aggregate of the monthly loan and interest payments of £2,108 per month thus annual finance costs of £25,296. For the un-borrowed self-supplied remaining capital requirement of £214,900, I allow a notional opportunity cost at 5% per annum, thus £10,745. The total costs associated with funding the required capital investment is thus £36,041 per annum.
- 4.3.34 If the lower acquisition figure were adopted this would require borrowed funds of £191,400, equating to a month finance cost of £1,291 and £15,492 annually. The self-funded element of would equate to £131,600 and thus an opportunity cost of £6,580 per annum. The total costs therefore associated with funding the acquisition would therefore be £22,072.

4.4 **White Swan Viability Assessment**

- 4.4.1 I set out below my assessments of the viability of the freehold purchase, renovation, launching and subsequent continuation of public house use of the White Swan under both finance scenarios noted above.



4.4.2 Freehold Interest Purchase Price of £450,000

Sales (net of VAT)		182,000
Gross profit @ 61.5%		<u>112,000</u>
Less		
Operating costs @ 38.4% of total sales	70,000	
Owners remuneration (see 4.3.23 above) say	<u>33,000</u>	<u>(103,000)</u>
Profit before finance costs		9,000
Less		
Cost of finance		
Notional acquisition price, say	450,000	
Refurbishment and Replacement of FF&E	50,000	
Stock & working capital	15,000	
SDLT	9,750	
Acquisition costs & Finance Set Up Fees	<u>12,500</u>	
	537,250	
Repayment on mortgage and finance costs (see 4.3.33 above)		<u>(36,041)</u>
		<u>(27,041)</u>
Loss (after owner's remuneration and cost of finance)		

4.4.3 Freehold Interest Purchase Price of £250,000

Sales (net of VAT)		182,000
Gross profit @ 61.5%		<u>112,000</u>
Less		
Operating costs @ 38.4% of total sales	70,000	
Owners remuneration (see 4.3.23 above) say	<u>33,000</u>	<u>(103,000)</u>
Profit before finance costs		9,000
Less		
Cost of finance		
Notional acquisition price, say	250,000	
Refurbishment and Replacement of FF&E	50,000	
Stock & working capital	15,000	
SDLT	1,500	
Acquisition costs	<u>12,500</u>	
	329,000	
Repayment on mortgage and finance costs (see 4.3.34 above)		<u>(22,072)</u>
		<u>(13,072)</u>
Loss (after owner's remuneration and cost of finance)		



- 4.4.4 Based upon the above reasoned viability appraisal, I am of the opinion that the reintroduction and sustaining of public house trading at the White Swan following a purchase of the freehold interest, would not offer a party, whether private individual/partnership entrepreneur or corporate company, considering such a venture a financially viable or prudent proposition. The appraisal demonstrates that the venture, on either purchase price, would be loss making and therefore makes no economic or financial sense. The appraisal is based on the operator accepting a remuneration at only a level judged to be a minimum acceptable for the long hours and entrepreneurial endeavours of the direct operation of a public house.
- 4.4.5 The achievable profit prior to the deduction of the minimum remuneration for direct labour and the funding of required capital investment, shows a totally inadequate return having regard to the efforts, risks and capital requirement of entering into the venture.
- 4.4.6 The above appraisal includes assumptions made over the capital requirement to achieve the freehold acquisition; the costs associated with the property's acquisition; the required investment in repairs and refurbishment; and the required investment in provision of the trade furnishings and equipment. Based on the property's known recent history; the most credible category of purchaser for a pub use; the demands and requirements of funders who are active in the public house sector, it is in my opinion highly unlikely that a purchaser would choose to invest in the order of £215,000, or even £132,000 if the lesser purchase price is taken, of their own funds in the venture, and even more unlikely that a third party bank would lend circa £322,000, or even £197,000 against the property. Therefore:

I am of the opinion that the White Swan is not an economically viable proposition for the following reasons:

- **After allowance for finance costs the business is loss making.**
- **The return on the investment required does not reflect the risk.**
- **The property would not be of interest to corporate pub companies, either leased or managed operators.**
- **Nationally beer volumes have been in decline.**
- **The limited car parking facilities required to operate as a destination food house.**
- **Better located competition will limit the opportunity to growth the turnover and profit.**



5.0 CONCLUSIONS

- 5.1 On consideration of the White Swans location; its physical size; the facilities it is capable of offering; the limited indications available of its past actual trade; the external factors currently impacting on the trade performance of rural public houses; and the scale and nature of the existing local public house competition serving the communities within the area, I am of the opinion that the property does not have a credible or economically sustainable future trading as a public house.
- 5.2 My above trade appraisal and viability assessment, demonstrate that it is not capable of generating a satisfactory profit performance to make it viable/sustainable for the reintroduction of public house use. I have sought to reflect both the recent acquisition price and a significantly lower price within my viability assessment, however both appraisals show a loss making enterprise. I would also note that the costs for the reinstatement of the inventory, fixtures and fittings may well exceed my estimate and that there is a significant risk in this.
- 5.3 I am of the opinion that the property's characteristics and location would cause it to be heavily reliant upon a destination type custom attracted for food. Given the range of existing competing public houses/pub-restaurants and other community facilities situated in the local district, the sustainability of trading at the White Swan will present significant challenges and uncertainties and cannot be demonstrated to provide an operator with a satisfactory return on, (i) the required capital investment; (ii) the risks of investing in the proposition; and (iii) the required entrepreneurial endeavour necessary for a party to acquire, and operate a rural located public house with a low nearby resident community.
- 5.4 The date of the report coincides with the worldwide pandemic of Covid-19 and the UK Government's measures seeking to reduce infection rates. Whilst it is hoped that the virus can be controlled and restrictions lifted, the impact on the property market and specifically on that of the public house market is likely to be felt for a considerable period. I am of the opinion that in the Covid-19 crisis circumstances, it is reasonable to conclude that required investment in re-opening the White Swan for public house trading, is an even more unlikely uneconomic proposition than existing before the onset of the crisis conditions.



5.5 Based on these applied judgements and explained rationale, I therefore conclude that the White Swan is not an opportunity or undertaking that is economically viable for any party who is subject to the norms of profit motivation and market led commercial costs of finance in the current economic and financial circumstances, nor indeed those reasonably expected to apply in the short to medium term time frame. Should a party nevertheless undertake such a risk and investment, they would in my opinion be subject to a high risk of business failure.

6.0 PROFESSIONAL DECLARATION

6.1 I have prepared this report in the capacity of a surveyor expert witness and include below the required declaration expected of Chartered Surveyors acting in this capacity.

6.2 I confirm that my report includes all facts which I regard as being relevant to the opinions which I have expressed and that attention has been drawn to any matter which would affect the validity of those opinions as far as such information has been made available and has been capable of being sourced.

6.3 I confirm that my duty as an expert witness overrides any duty to those instructing or paying me, that I have understood this duty and complied with it in giving my evidence impartially and objectively, and that I will continue to comply with that duty as required.

6.4 I confirm that I am not instructed under any conditional fee arrangement.

6.5 I confirm that I have no conflicts of interest of any kind other than those already disclosed in my report.

6.6 I confirm that my report complies with the requirements of the Royal Institution of Chartered Surveyors (RICS), as set down in *Surveyors Acting as Expert Witnesses: RICS Practice Statement*.



APPENDIX PJS1 – Premises Licence



Premises Licence

Premises Licence Number

LN/200500199

Part 1 – Premises Details

Postal address of premises, or if none, ordnance survey map reference or description, including Post Town, Post Code

White Swan Inn
Low Street
Thornton Le Clay
North Yorkshire
YO60 7TG

Telephone number

Where the licence is time limited the dates - Not Applicable

Licensable activities authorised by the licence

Supply of Alcohol

Late Night Refreshment

Consumption - On Premises

Times the licence authorises the carrying out of licensable activities

Supply of Alcohol

Daily between the hours of 10:00 and 00:00

On New **Year's** Eve from the end of permitted hours on New **Year's** Eve to the start of permitted hours on the following day (or, if there are no permitted hours on the following day, midnight on 31st December).

Late Night Refreshment

Daily between the hours of 23:00 and 23:30

The opening hours of the premises

Daily between the hours of 10:00 and 00:30

Where the licence authorises supplies of alcohol whether these are on and/or off supplies

Both

Part 2

Name, (registered) address, telephone number and email (where relevant) of holder of premises licence

Mrs Tracy Harrison
White Swan Inn
Low Street
Thornton Le Clay
North Yorkshire
YO60 7TG

Mr Richard Harrison
White Swan Inn
Low Street
Thornton Le Clay
North Yorkshire
YO60 7TG

Registered number of holder, for example company number, charity number (where applicable)

Name, address and telephone number of designated premises supervisor where the premises licence authorises for the supply of alcohol

Personal licence number and issuing authority of personal licence held by designated premises supervisor where the premises licence authorises for the supply of alcohol

Annex 1 – Mandatory conditions

Mandatory Conditions with regard to the supply of alcohol

- 1) No supply of alcohol may be made under the premises licence-
 - a) at a time when there is no designated supervisor in respect of the premises licence, or
 - b) at a time when the designated premises supervisor does not hold a personal licence or his personal licence is suspended.
- 2) Every supply of alcohol under the premises licence must be made or authorised by a person who holds a personal licence.

Mandatory Conditions with regard to the exhibition of films

- 1) Where a premises licence authorises the exhibition of films, the licence must include a condition requiring the admission of children to the exhibition of any film to be restricted in accordance with this section.
- 2) Where the film classification body is specified in the licence, unless subsection (3)(b) applies, admission of children must be restricted in accordance with any recommendation by that body.
- 3) Where
 - a) The film classification body is not specified in the licence, or
 - b) The relevant licensing authority has notified the holder of the licence that this subsection applies to the film in question,

Admission of children must be restricted in accordance with any recommendation made by that licensing authority.

- 4) **In this section "children" means any person aged under 18; and "film classification body" means the person or persons designated as the authority under section 4 of the Video Recordings Act 1984(c39) (authority to determine suitability of video works from classification)**

Mandatory Conditions with regard to door supervision

- 1) Where a premises licence includes a condition that at specified times one or more individuals must be at the premises to carry out a security activity, each such individual must:
 - a) Be authorised to carry out that activity by a licence granted under the Private Security Industry Act 2001; or
 - b) Be entitled to carry out that activity by virtue of section 4 of the Act.
- 2) But nothing in subsection (1) requires such condition to be imposed:
 - a) in respect of premises within paragraph 8(3)(a) of Schedule 2 to the Private Security Industry Act 2001 (c12) (premises with premises licences authorising plays or films); or
 - b) in respect of premises in relation to :
 - i) Any occasion mentioned in paragraph 8(3)(b) or (c) of that Schedule (premises being used exclusively by club premises certificate, under temporary event notice authorising films or under a gaming licence), or
 - ii) Any occasion within paragraph 8(3)(d) of that Schedule (occasions prescribed by regulations under that Act).
- 3) For the purpose of this section:
 - a) **(a) "security activity" means an activity to which paragraph 2(1)(a) of that Schedule applies, and, which is licensable conduct for the purposes of that Act.**
 - b) paragraph 8(5) of that Schedule (interpretation of references to an occasion) applies as it applies in relation to paragraph 8 of that Schedule.

Mandatory Conditions with regard to age verification policy

- 1) The premises licence holder or club premises certificate holder must ensure that an age verification policy is adopted in respect of the premises in relation to the sale or supply of alcohol.
- 2) The designated premises supervisor in relation to the premises licence must ensure that the supply of alcohol at the premises is carried on in accordance with the age verification policy.
- 3) The policy must require individuals who appear to the responsible person to be under 18 years of age (or

such older age as may be specified in the policy) to produce on request, before being served alcohol, identification bearing their photograph, date of birth and either-

- a) a holographic mark; and
- b) an ultraviolet feature

Mandatory Conditions with regard to permitted price

- 1) A relevant person shall ensure that no alcohol is sold or supplied for consumption on or off the premises for a price which is less than the permitted price.
- 2) For the purposes of this condition:
 - a) **"duty" is to be construed in accordance with the Alcoholic Liquor Duties Act 1979(6);**
 - b) **"permitted price" is the price found by applying the formula-**

$$P=D+(D \times V)$$

where

- i. P is the permitted price,
 - ii. D is the amount of duty chargeable in relation to the alcohol as if the duty were charged on the date of the sale or supply of the alcohol, and
 - iii. V is the rate of value added tax chargeable in relation to the alcohol as if the value added tax were charged on the date of the sale or supply of the alcohol;
- c) **"relevant person" means, in relation to premises in respect of which there is in force a premises licence-**
 - i. The holder of the premises licence,
 - ii. The designated premises supervisor (if any) in respect of such a licence, or
 - iii. The personal licence holder who makes or authorises a supply of alcohol under such a licence;
 - d) **"relevant person" means, in relation to premises in respect of which there is in force a club premises certificate, any member or officer of the club present on the premises in a capacity which enables the member or officer to prevent the supply in question; and**
 - e) **"value added tax" means value added tax charged in accordance with the Value Added Tax Act 1994(7).**
- 3) Where the permitted price given by Paragraph (b) of paragraph (2) would (apart from this paragraph) not be a whole number of pennies, the price given by that sub-paragraph shall be taken to be the price actually given by that sub-paragraph rounded up to the nearest penny.
 - 4) (1) **Sub-paragraph (2) where the permitted price given by Paragraph (b) of paragraph 2 on a day ("the first day") would be different from the permitted price on the next day ("the second day") as a result of a change to the rate of duty or value added tax.**
(2) The permitted price which would apply on the first day applies to sales or supplies of alcohol which take place before the expiry of the period of 14 days beginning on the second day.

Mandatory conditions with regard to Irresponsible drinks promotions

- 1) The responsible person *must* ensure that staff on relevant premises do not carry out, arrange or participate in any irresponsible promotions in relation to the premises.
- 2) In this paragraph, an irresponsible promotion means any one or more of the following activities, or substantially similar activities, carried on for the purpose of encouraging the sale or supply of alcohol for consumption on the premises-
 - a) games or other activities which require or encourage, or are designed to require or encourage individuals to-
 - i) Drink a quantity of alcohol within a time limit (other than to drink alcohol sold or supplied on the premises before the cessation of the period in which the responsible person is authorised to sell or supply alcohol), or
 - ii) Drink as much alcohol as possible (whether within a time limit or otherwise);
 - b) provision of unlimited or unspecified quantities of alcohol free or for a fixed discounted fee to the public or to a group defined by a particular characteristic in a manner which carries a significant risk of undermining a licensing objective;
 - c) provision of free or discounted alcohol or any other thing as a prize to encourage or reward the purchase and consumption of alcohol over a period of 24 hours or less in a manner which carries a significant risk of undermining a licensing objective;
 - d) selling or supplying alcohol in association with promotional posters or flyers on, or in the vicinity of, the premises which can reasonably be considered to condone, encourage or glamorise anti-social behaviour or to refer to the effects of drunkenness in any favourable manner;

- e) dispensing alcohol directly by one person into the mouth of another (other than where that other person is unable to drink without assistance by reason of disability).
- 3) The responsible person must ensure that free potable water is provided on request to customers where it is reasonably available.

Mandatory conditions with regard to alcoholic drink measures

- 1) The responsible person must ensure that;
- a) where any of the following alcoholic drinks is sold or supplied for consumption on the premises (other than alcoholic drinks sold or supplied having been made up in advance ready for sale or supply in a securely closed container) it is available to customers in the following measures:
 - i) **Beer or cider:** ½ pint;
 - ii) Gin, rum, vodka or whisky: 25ml or 35 ml; and
 - iii) still wine in a glass: 125 ml;
 - b) these measures are displayed in a menu, price list or other printed material which is available to customers on the premises; and
 - c) where a customer does not in relation to a sale of alcohol specify the quantity of alcohol to be sold, the customer is made aware that these measures are available.

Public Register

Annex 2 – Conditions consistent with the Operating Schedule

Justices Conditions

1. No supply of alcohol may be made under this licence:
 - a. At a time when there is no designated supervisor in respect of it, or
 - b. At a time when the designated premises supervisor does not hold a personal licence or his personal licence is suspended.
2. Every retail sale or supply of alcohol made under this licence must be made or authorised by a person who holds a personal licence.
3. The permitted hours restrictions on sale of alcohol do not prohibit:
 - (a) during the first thirty minutes after the above hours the consumption of the alcohol on the premises;
 - (b) during the first thirty minutes after the above hours, the taking of the alcohol from the premises unless the alcohol is supplied or taken in an open vessel;
 - (c) during the first thirty minutes after the above hours the consumption of the alcohol on the premises by persons taking meals there if the alcohol was supplied for consumption as ancillary to the meals;
 - (d) consumption of the alcohol on the premises or the taking of sale or supply of alcohol to any person residing in the licensed premises;
 - (e) the ordering of alcohol to be consumed off the premises, or the despatch by the vendor of the alcohol so ordered;
 - (f) the sale of alcohol to a trader or club for the purposes of the trade or club;
 - (g) the sale or supply of alcohol to any canteen or mess, being a canteen in which the sale or supply of alcohol is carried out under the authority of the Secretary of State or an authorised mess of members of Her Majesty's naval, military or air forces;
 - (h) the taking of alcohol from the premises by a person residing there; or
 - (i) the supply of alcohol for consumption on the premises to any private friends of a person residing there who are bona fide entertained by him at his own expense, or the consumption of alcohol by persons so supplied; or
 - (j) the supply of alcohol for consumption on the premises to persons employed there for the purposes of the business carried on by the holder of the licence, or the consumption alcohol so supplied, if the alcohol is supplied at the expense of their employer or of the person carrying on in charge of the business on the premises.
4. Alcohol shall not be sold or supplied for consumption on the premises unless it is paid for before or at the time when it is sold or supplied, except alcohol sold or supplied:
 - (a) with and for consumption at a meal supplied at the same time, consumed with the meal and paid for together with the meal;
 - (b) For consumption by a person residing in the premises or his guest and paid for together with his accommodation;
 - (c) To any canteen in which the sale or supply of alcohol is carried out under the authority of the Secretary of State or to an authorised mess of members of Her Majesty's naval, military or air forces.
5. No person under fourteen shall be in the bar of the licensed premises during the permitted hours unless one of the following applies:
 - (1) He is the child of the holder of the premises licence.
 - (2) He resides in the premises, but is not employed there.
 - (3) He is in the bar solely for the purpose of passing to or from some part of the premises which is not a bar and to or from which there is no other convenient egress.
 - (4) The bar is in premises constructed, fitted and intended to be used bona fide for any purpose to which the holding of the licence is ancillary.
 - (a) the child is in the Lounge area of the premises.
 - (b) Meals and non-alcoholic beverages are available for sale for consumption in that area.
 - (c) The child is in the company of a person aged 18 or over.
 - (d) The child is there prior to 9 p.m.

In this condition bar includes any place exclusively or mainly used for the consumption of alcohol. But an area is not a bar when it is usual for it to be, and it is, set apart for the service of table meals and alcohol is only sold or supplied to persons as an ancillary to their table meals.

6. To operate an approved proof of age identity scheme and to participate in the Pubwatch radio scheme operated by the North Yorkshire Police and the Scarborough and District Licensed Victuallers Association.
7. To attend a maximum of six meetings per annum arranged under the auspices of the Pubwatch scheme.
8. If doorstaff are employed on the premises such staff must be registered with the Security Industry Authority.

Conditions consistent with the operating schedule

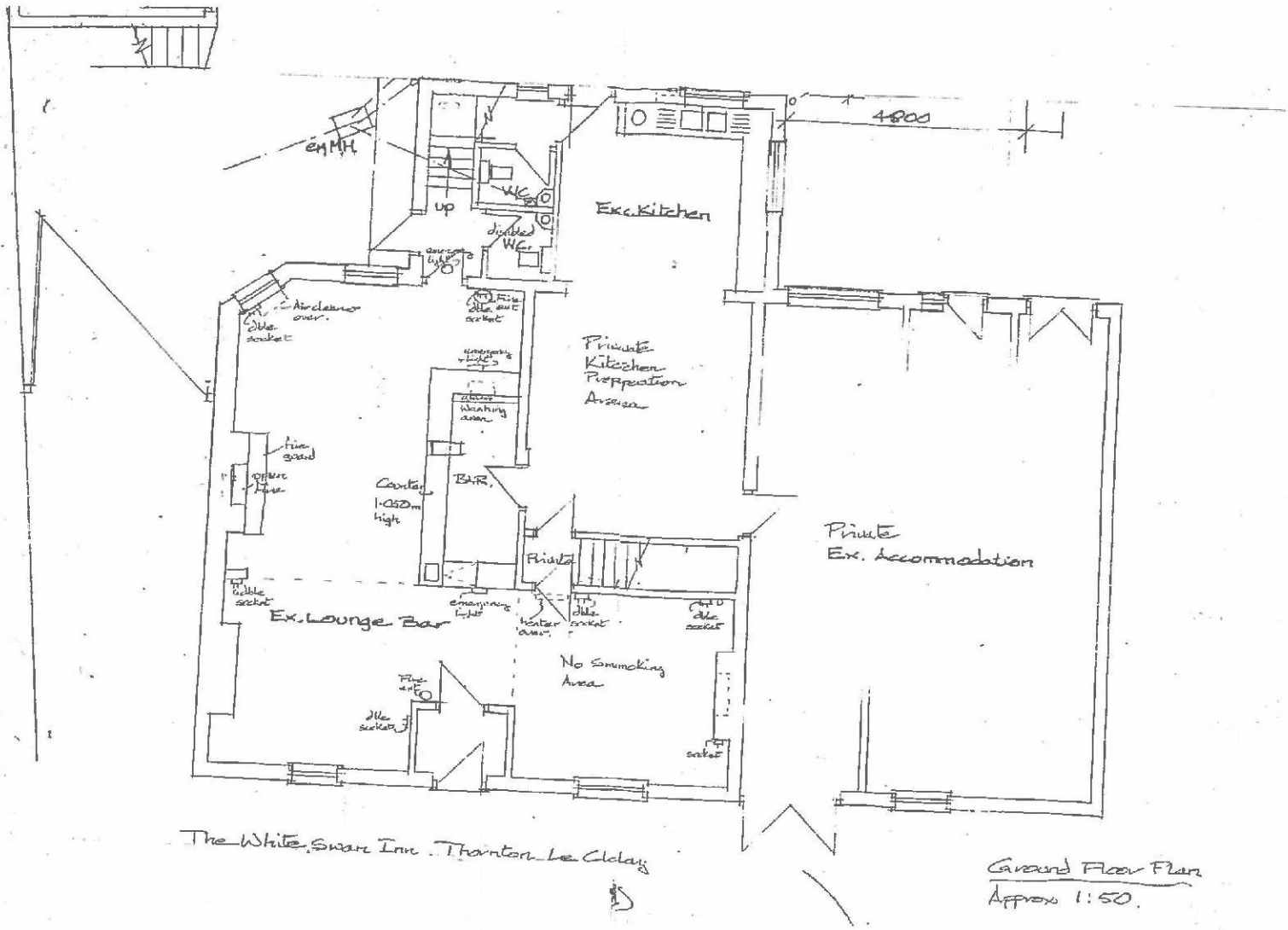
1. To participate in the local Pubwatch scheme when available
2. To implement the Portman Group proof of age scheme.

Public Register

Annex 3 – Conditions attached after a hearing by the licensing authority

Public Register

Public Register





APPENDIX PJS2 – Sales Particulars