

PLANNING AND LICENSING COMMITTEE

11th September 2019

ADDITIONAL PAGES

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Additional Representations on Schedule Items

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PLANNING AND LICENSING COMMITTEE

11th September 2019

ADDITIONAL PAGES ON SCHEDULE ITEMS

Item Ref. No Content

01	19/02195/FUL	Viability Report and Business Appraisal – Please see attached.
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Viability Report and Business Appraisal

For the

The Waggon & Horses PH, 11 London Road, Cirencester, GL7 2PU



Prepared by Jonathan Reakes, MIRCS, RICS Registered Valuer, FAVLP Managing Director of JS Reakes Ltd.

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1. Instructions and method of compilation

The instruction is to provide a viability study and business evaluation of the the Waggon and Horses Public House, 11 London Road, Cirencester, GL7 2PU. To accompany an application for the change of use of the property from A4 (drinking establishment) to residential accommodation.

It is confirmed that this study is carried out by J S Reakes MRICS RICS Registered Valuer AVLP who is independent of any outside parties involved in the proposed planning application. J S Reakes has over 30 years experience in the commercial property sector in particular as an estates manager, agent valuer and consultant to the licensed trade. He is fully conversant with current trends within the industry and is consistently engaged in appraisals, valuations, rent reviews, viability studies and presents unbiased and realistic views which form part of any decision-making process. A detailed CV is attached at **Appendix A**.

Method of compilation

This document has been devised by a qualified professional to appraise the viability of a public house during its recent ownership and to judge whether the business is likely to become viable in the future. This report will help guide those entrusted with decision-making into considering the application for all aspects and we recommend that the report is read in its entirety before arriving at a decision regarding the Waggon and Horses.

Confidentiality

The contents of this report are confidential to the addressee and for the specific purposes of which they refer and are for this use only. No responsibility is accepted towards any other party in respect of whole or part of its contents. Our terms and conditions apply to this report and they can be viewed in **Appendix B**.

2. Location

Cirencester is a market town in east Gloucestershire, 93 miles west northwest of London. It lies on the River Churn, a tributary of the River Thames, and is the largest town in the Cotswold

District. It is the home of the Royal Agricultural College. Cirencester is the hub of a significant road network with important routes to Gloucester (A417), Cheltenham (A435), Warwick (A429), Oxford (A40), Wantage (A417), Swindon (A419), Chippenham (A429) Bristol+Bath (A433) and Stroud (A419). The town had a population of 19,076 (2011 census).

The town is an Area of Outstanding Natural Beauty and continues to attract both tourists and holiday makers.

The Waggon and Horses is situated to the east of the town centre on the London Road with the town centre approximately a five-minute walk to the west. London Road is an arterial route in and out of Cirencester with no on-street parking. There is a public carpark approximately 100 metres to the east of the property, which is very popular and often difficult to find a space.

The property is within a primarily residential area, the adjoining properties are residential in use and there is an established bed and breakfast adjacent to the west.

We attach a site map and a location map in **Appendix C**.

3. Property

Description

The Waggon & Horses Public House is a two storey semi-detached property with ground floor public bar and first floor owner's accommodation. There is a single storey extension to the rear which houses the dining area and connects the main property with the kitchen located within a timber structure to the rear.

There is an additional two storey building which provides letting accommodation, I believe that this is an original building which could have been a stable block.

Located to the left-hand side of the property is a small yard with access to the public house and with parking for one vehicle. To the rear between the extension and the former stable block is a small trade garden with potential approximately 12 covers.

The site extends to approximately 400 sq m (0.1 acres).

Accommodation

The accommodation is arranged over ground, basement and first floor levels and can be described as follows:

Ground floor

The entrance from the front of the property provides access into a traditional bar with a loose trade inventory which will accommodate up to 30 covers.

To the rear of the bar, at a slightly raised level is a modern extension which can be set up as a restaurant with up to 36 covers.

To the rear of the property and accessed via the single storey timber structure referred to above is a trade kitchen together with relatively extensive ancillary/storage areas.

Two letting bedrooms, one at ground floor level and the other at first floor level. One has been arranged as a family room with en suite shower room (double bed plus single bed) and a twin room with en suite shower.

Basement

The basement provides a traditional beer cellar with storage and cellar cooling, at the time of inspection the pub had not been trading for approximately 1 year and I can not verify that the cellar cooling and dispense equipment was in working order.

First floor

The owner's accommodation is provided across the front of the main building. This consists of a kitchen/living room, and three bedrooms together with a bathroom.

Services

I understand the property is connected to all mains services i.e. electricity, gas, water and drainage.

Condition

The has been closed for a considerable time and as such is in need of a full internal refurbishment and redecoration, there are signs of water ingress throughout the building and

particularly within the first-floor owner accommodation.

The trade areas and kitchen would need to be fully refurbished to enable the property to trade as a public house, in particular the trade areas and kitchen basement would need a deep clean and redecoration.

The letting accommodation would need a similar refurbishment to provide customers with a pleasant environment.

I have provided some photographs from my inspection within **Appendix D**.

Premises license

I believe that the Waggon Horses has previously traded with the benefit of a Premises Licence which enabled the business to trade the following hours:

Sunday to Wednesday 10:00am to 12:00am
Thursday to Saturday 10:00am to 01:00am

From my inspection of the site it seems that the public house at the time of closing was operating under restricted opening hours of:

Sunday to Monday 5:00pm to 10:00pm

I believe this demonstrates that the business was struggling in the market place.

Business rates

I have accessed the data supplied on the VOA website and can confirm the following:

Description	Rateable value 2017
Public House and Premises	£10,250

4.0 Cotswold District Council Planning Policy

I believe that my client has appointed a Planning Consultant and I will not comment further on current and emerging planning policy, I do consider it pertinent to make mention of the Policy relating directly to the loss of the current use. I would like to draw attention to the following.

Paragraph 92 c) of the revised National Planning Policy Framework 2018 states that planning decisions relating to the loss of public houses should “guard against the unnecessary loss of valued facilities and services, particularly where this would reduce the community’s ability to meet its day-to-day needs.”

In respect of the current Local Plan there are two policies I consider to be particularly relevant, namely:

Policy 25: Vitality and Viability of Settlements relates directly to Cirencester and principal settlements. I consider paragraphs 2 and 3 to be of some relevance. I detail the provisions of these paragraphs as follows.

“Paragraph 2 – development that would harm the vitality and viability of the commercial centres will not be permitted. Proposals for development outside the commercial centres will be subject to a sequential test and, in the case of retail development must be supported by evidence: a) of need; b) that it will not harm vitality and viability and; c) that it is accessible by choice of means of transport.”

“Paragraph 3 – proposals to change existing retail or other commercial uses to residential use at ground floor level within the commercial centres would be considered against the following criteria:

- a) the need to maintain an appropriate mix of residential, retail and other commercial uses in the key shopping streets;
- b) the character and appearance of the commercial centre, and of the specific street frontage within which the site is located;
- c) whether it can be demonstrated that the premises cannot be maintained in viable

retail or other commercial use'; and

d) the need to maintain and enhance the vitality and viability of the commercial centre as a whole."

Policy 32: Community Facilities Paragraph 2 of this policy states that

"Proposals for development which would result in the loss of existing community facilities where there remains a recognised need will not be permitted unless suitable replacement facilities are provided in an appropriate alternative location."

I also note from the Social and Community Infrastructure policy:

Policy INF2 Social and Community Infrastructure Paragraph 1

"Proposals for community facilities either in their own right or as a consequential requirement of development in the area will be permitted where, as appropriate, it is demonstrated that;

- a) where associated with another development provision is synchronised with the scale, timing/phasing and needs of the associated developments
- b) account has been taken of existing facilities and services in the area, including the quantity of provision;
- c) the proposal is equally viable in terms of its ongoing maintenance, and there is demonstrable local need for it;
- d) the facility or service is well-linked and accessible to the local community on foot, bicycle or public transport or on foot both at present and having regard to development proposals of the Local Plan;
- e) the feasibility of multi purpose use of the facility or service has been rigorously explored and, where possible, implemented in the proposal; and
- f) provisions made for the on-going management/maintenance facility of the service."

Paragraph 2 states:

"Planning permission for development which results in the loss of local community facilities or services will be permitted provided:

- a) it is demonstrated that there is no local demand for the facility or service or demand

for appropriate alternative local community use for the facility; or
b) replacement facilities or services are provided in an appropriate alternative location having regard to the requirements of clause one above.”

I would also draw attention to the following paragraphs from the Local Plan.

11.2.5 The right location for a community facility will depend on its scale and function.

Facilities that service the day-to-day needs of a community should be located in local centres close to the communities they serve and should be fully accessible and inclusive. The location of higher level facilities, such as leisure centres should be accessible to all members of the community and directed to an allocated site (whether the Local Plan makes such provision) or other appropriate site in an area of identified under-supply.

11.2.9 Social and community infrastructure is vitally important in ensuring the quality of life and well-being of communities. For this reason, the redevelopment of a community facility will only be acceptable in certain circumstances; for example, where the facility will be replaced, or where it can satisfactorily be demonstrated that there is no current or future need or demand, or where a marginal loss will result in improvement or provision of a complementary use. With regard to the loss of sporting–community facilities, it should be demonstrated that they are surplus to requirements through the emerging/adopted play and pitch strategy. Demonstration that there is no local need for an existing commercial facility such as a public house or shop should be supported by evidence that the facility is no longer viable and its extant use for a period of at least 12 months. Having regard to loss of other facilities it should be shown that there has been a material change in circumstances effecting on-going viability – for example the permanent withdrawal of funding.

The property has not been listed as an Asset of Community Value nor has a nomination for the property to be listed been made.

5. Viability Study

The Waggon and Horses can be defined as a local wet led public house which is dependent on local trade, it is not within the town centre leisure circuit and due to the location and lack of parking is not a drive to destination venue. Unfortunately, the pub has fallen on hard times in the main due to the lack of space/parking and external trade area at the site but also due to the change in consumer behavior over the last 10 years. There is a small local population within the immediate area but not enough to sustain the business. There is a real need for investment in the site to upgrade or modernise but the level of investment required is not considered to be worth any potential return.

The pub industry has suffered more than most during the latest recession and it's become necessary for pubs within the definition of local pubs to diversify and adjust to current demands. The wet trade has fallen dramatically regionally and nationally as customers change habits and the availability of cheap supermarket alcohol influences people to drink more at home and to visit the pub less frequently. This has motivated many publicans into expanding the food offering of the business and to utilise under used areas of the property, such as creating letting bedrooms.

When trading the Waggon and Horses had tried to develop a food trade but it was not enough to sustain the business in light of the substantial competition in the area. The level of trade that can be generated from a site with approximately 30 food covers and limited bar space is not enough to sustain the business through the year. There are multiple sites in the town centre able to offer better facilities and that are within other establishments within the town centre leisure circuit.

Local pubs used to be hub of rural and city social lives in times gone-by but new generations and modern technology change people's habits coupled with new legislation, beer duty and a smoking-ban. The latter part of the century saw the innovation of the superstore and with it the introduction of low-cost alcohol which continues to have a devastating effect on the retail sector of the industry. These new challenges to the licensed retail industry coupled with the



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recession and shortage of disposable income have left the wet-led public sector in disarray. Pubs have had to diversify by expanding their food offer to attract business from further afield, converting underused areas and outbuildings into letting bedrooms, for example, and so as to increase turnover and strengthen the bottom-line profit. Pubs which may have only opened for split-shifts are now open all day at least at weekends.

Nationally that the fastest decline in on-trade sales coincided with the introduction of the public smoking ban in 2007. Although the decline in on-trade beer has continued to decline since the smoking ban the rate of decline has slowed. Overall we have seen beer sales within the on-trade market falling from 23,358,000 in 2000 to 12,628,000 in 2017 a decline of 46%.

Conversely off-trade sales over the 17 year period have increased by +27% which marks a significant switch between beer volumes consumed in licensed properties, principally public houses, and those consumed at home, usually purchased in supermarkets. The shift has been so significant that in 2014 the volume of beer sold in the off-trade exceeded the volume of beer sold in the on-trade for the first time.

More recent market commentary has referred to increased sales of craft beer and the increase in the number of small breweries. However, a degree of perspective needs to be maintained, the cask ale market is only forecast to represent 20% of the on-trade beer market by 2020. Cask ale is therefore a relatively small part of the on-trade beer market at the current time. Growth in this sector will often result from craft ale being consumed as a substitute for other beer products. The most recent statistics show a continuing decline in beer volumes, the decline in on sales between Q4 2015 and Q4 2016 being -2.2%. The Morning Advertiser (trade paper) reported in November 2017 that beer sales in the 3rd quarter 2017 had suffered a worrying dip with the worst performance for five years. 35 million fewer pints of beer were sold representing a 3.6% decline.

The development of large public houses, on local 'high streets', which have the ability to offer discounted prices through their better purchasing power has resulted in a decline in sales in smaller traditional outlets reliant upon the same catchment area of custom. As a consequence



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many such public houses which were previously only marginally viable have ceased trading.

The location and physical restraints of the Waggon & Horses are such that it does not fit the required criteria to successfully target a destination type of custom.

The most likely trading format for the pub is that of a local community type pub. Such pubs are the least able to adapt to the changing trading environment and are least able to alter their pricing model in order to preserve profitability.

Historic trade and ownership

The property was previously owned by the Ei Group, formerly known as Enterprise Inns plc, one of the UK's largest owners of public houses.

The Ei Group currently owns a portfolio of in excess of 4,500 pubs which are operated either as tied leases, free of tie leases or under direct management.

The Waggon & Horses PH was let subject to the terms of a 10 year lease which expired in January 2018. I am advised that the in situ tenant decided to vacate on expiry of the lease. My understanding is that the tenant had for some time lived abroad and did not run the business hands-on.

Ei Group have previously made available some background information regarding the letting and I understand it to have been on a partial tied basis i.e. for beer and cider only and that the rent had averaged £22,000 per annum over the last five years.

Ei Group have advised me that the following tied volumes were purchased by the Tenant.

Year	Beer Volume
2012	80.4
2013	52.4
2014	42.5
2015	46.6



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2016	40.5
2017	30.0
2018	10.5

The above figures are in terms of brewers' barrels i.e. 36 gallons.

On the basis the business was operated by a tenant the accounts are personal to them and are not known either to the Landlord nor are they available in the public domain.

With a limited passing trade people will choose to go into the town centre within easy walking distance.

I feel that due to the demographic changes, competition and individual circumstances that the public house is no longer viable as a profitable business. There is a need for a large investment in the property which would simply not generate the level of trade that would make a suitable return on the investment.

We have not been provided with trading accounts. Having considered the physical characteristics of the Waggon & Horse PH, it's location and the level of direct competition, I believe the trade will primarily be drawn from the immediately surrounding population and that the trade would be 60/40 in favour of wet sales. I have adopted a total wet and food sales of £150,000.

I have adopted a wet gross profit of 62% and a food profit margin of 58%, this reflects the location and competitiveness of the local area. I believe that the letting rooms would attract blue collar workers during the week only due to the limited facilities. For this reason I have adopted a room rate of £50 per night and a 50% occupancy rate. On this basis I set out below my assessment of viability as follows:

FMOT*	£168,250
Wet sales gross profit £90,000@62%	£ 55,800
Food sales gross profit £60,000@58%	£ 34,800

J S Reakes Ltd. St Brandon's House, Great George Street, Bristol BS1 5QT

T 0117 9200 090 E Jon@jsreakes.co.uk W www.jsreakes.co.uk

Registered in England and Wales no: 08197306



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Letting gross profit £18,250@90%	£ 16,425	£107,025
<u>Less</u> operational costs @ 45% of sales		£ 75,712
Net Profit (FMOP)**		£ 31,313
<u>Less</u>		
Cost of finance ***		£ 20,000
Profit before owner's remuneration		£ 11,313

*Fair maintainable operating turnover

**Fair maintainable operating profit

***Based on a mortgage of 100% of the purchase price

The above assessment results in a small profit but does not allow for a refurbishment of the property which would have to be completed by the proposed purchaser to enable continued running of the business.

The owner of a public house such as the Waggon and Horses must be able to expect a reasonable return on the effort, labour and risk that they invest in operating the business. To an extent, such expectations are subjective but by way of a guide I would refer to the case of *Brooker v Unique Pub Properties Ltd (2001)* (Chancery Division Bristol District Registry Case No. BS002253) which gave consideration to the level of remuneration that the operator of a public house would reasonably expect to receive. In the case stated it was felt 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 £32,000.

When an allowance is made for owner's remuneration the business becomes loss making. Given the margins involved I do not believe a prospective operator of the Waggon and Horses would consider it a long term economically viable opportunity. This is endorsed by the response to marketing that was completed by specialist leisure agents Fleurets detailed below.

J S Reakes Ltd. St Brandon's House, Great George Street, Bristol BS1 5QT

T 0117 9200 090 E Jon@jsreakes.co.uk W www.jsreakes.co.uk

Registered in England and Wales no: 08197306

6.0 Marketing

I have been able to speak with the agents and have been provided with the following information.

In October 2017 Fleurets were instructed to provide marketing advice both on the basis of a new free of tie letting and for a freehold sale. Prior to this Ei Group had already undertaken a degree of marketing through their own website in an effort to attract a new tied tenant.

Prior to formally instructing Fleurets the property Ei Group undertook an internal review as to whether the property should receive investment in order to reposition it in the marketplace, they concluded that such investment would not be wise.

Open marketing, on a free of tie letting basis, commenced with effect from 20th October 2017. A marketing campaign was put in place which was typical of that adopted in the licensed property trade. At this stage I consider it relevant to add that Fleurets are one of the most well known agents in terms of licensed property agency. On 31st January 2018 marketing was extended to include the freehold interest being for sale.

Letting details were prepared and circulated by email to all those parties registered on Fleurets' database who had a property requirement which matched that of the Waggon & Horses PH, a similar exercise was put in place when the freehold became available. Fleurets' operate a comprehensive email advertising campaign and utilise a number of approaches to draw properties to the attention of potential lessee/purchasers. A copy of the sales details are attached as Appendix SP2. I summarise below the number of emails which were dispatched.

	Letting	Freehold	Total
Back Sheet	584	716	1,300
Buyer Alert	6,124	5,954	12,078
Property Update	4,610	10,552	16,162
For Information	3,262	2,912	6,074

It is acknowledged there will be an element of duplication in the above figures, despite this I

believe the figures demonstrate that an extensive marketing campaign was employed.

The property was advertised on Fleurets' website www.fleurets.com

A 'For Sale' board was erected at the premises. The 'For Sale' board remains on site at the date of this report.

Throughout the marketing period, to let and for sale, a total of 23 viewings were conducted at the property. In my experience this is a high number of viewings and demonstrates that the property was widely marketed.

Two offers were received as a consequence of the marketing of the property for lease. One was on the basis of a TWA (tenancy at will) which was no more than a temporary arrangement and the other on a stepped rent basis which was not considered to be proceedable.

Three written offers were received for the freehold interest, all offers were in connection with a proposed change of use to residential.

No offers were received for the continued use of the property as a public house or for any other community or commercial use.

7. Competition.

The other Public Houses within the area are:

Public House	Distance from The Red Lion
The Talbot Inn – Traditional public house on the edge of the town centre. Private car park, 5 ensuite letting bedrooms and extensive trade area.	0.1 miles
Twelve Bells – Food led business with large trade garden	0.2 miles
Bear Inn- Owned and operated by Butcombe Brewery (Liberation Group). Traditional pub	0.2 miles

with town centre location recently refurbished.	
Fleece Hotel – Town centre coaching Inn operated by Thwaites. A good quality managed house operation with 29 letting bedrooms.	0.3 miles
Wheatsheaf Inn – Traditional wet led pub let on a free of tie lease.	0.4 miles
Toro Lounge – Modern branded operation which trades throughout the day. Located a short distance from Market Square	0.3 miles
Black Horse – Traditional public house, managed on a leasehold basis by Marston's. Benefits from 4 letting bedrooms and a 50/50 wet/dry split.	0.4 miles
Premier Inn – 62 ensuite hotel recently refurbished to a high standard. Rooms available from £35.50 per night.	0.8 miles

All of the above public houses have adaptable trade areas, all serve food and most have substantial external trade areas. All are within five minutes walking distance of the subject property.

8. Summary and Conclusion

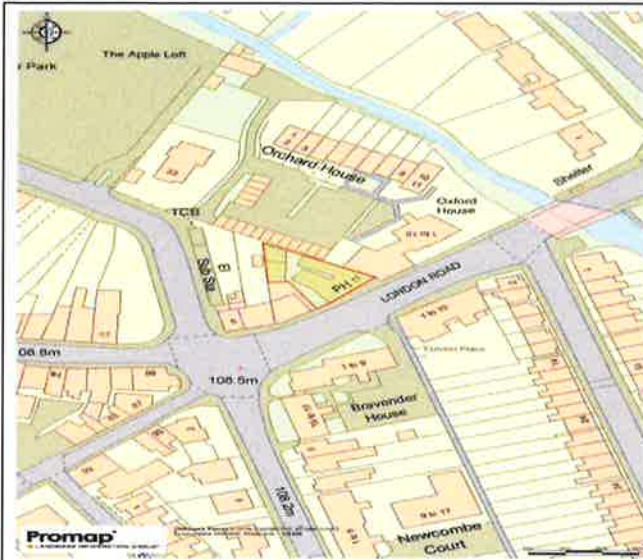
I have addressed the policies relating to the loss of a public house in this report. The main issues are viability, alternative community options and other similar licensed retail amenities in the area. The report has examined all options and reached the conclusion that the business has become unviable in the current market. In my view the pub is not currently financially viable in its current format, there is a lack of community need and support for the business given the alternatives available within the area (16 public houses within a 0.5 mile radius).

The business was marketed freely by leisure specialists Fleurets and an operator was not identified that would take the risk given the restrictive location and building.

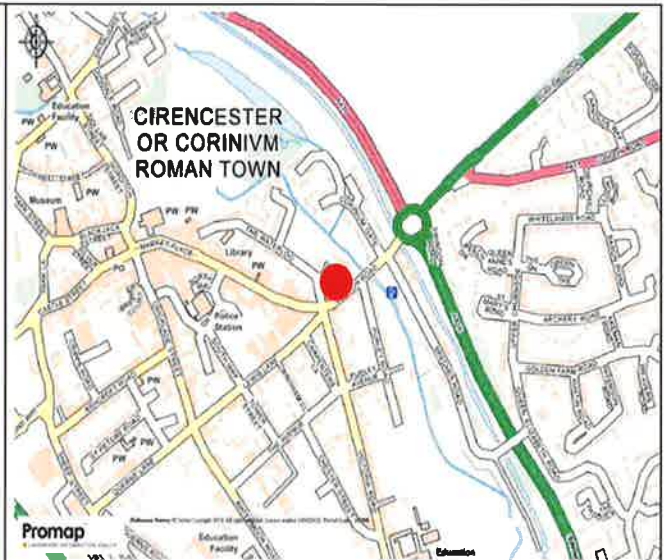
I conclude that the Waggon and Horses PH is poorly located for its existing use and that there are sufficient alternative licensed premises within a 0.5 mile radius to meet local demand. I do not believe the loss of the public house would affect the vitality and viability of the local area.

Signed For and Behalf of J S Reakes Limited

Appendix C



1. Detail Plan



2. Street Plan



3. City Plan

Appendix D



1. Front elevation



2. Public bar



3. Dining area



4. Kitchen



5. Letting bedroom



6. Owners kitchen