

1.0 INSTRUCTIONS AND BACKGROUND

1.1 On 7 November 2012 I was instructed by Mr Geoff Noquet and Mrs Jackie Noquet to provide my opinion as to the viability of the former Bishop Blaize public house, Burdrop should the property be operated as a public house. The property is now known as the Bishops End.

1.2 The Bishop Blaize has been closed to business for approximately 5 years. I visited the property on 15 November May 2012 and inspected the property both externally and internally. Given the nature of this report and the requirement to consider the property as an operating public house, a number of assumptions regards the physical aspects of the property, licensing and trading potential have been made. Further details will be given within the body of the report where such assumptions are made.

1.3 The 29 public houses within a five mile radius from the property and detailed within the report were visited by me on 15 November 2012 and 23 November 2012, either as a customer, or where access was not possible, either due to limited opening hours or business closure, by way of external visit.

1.4 I am aware of the contents of the Royal Institution of Chartered Surveyors Guidance Note – Financial Viability In Planning 1st Edition (GN94/2012) and the Campaign for Real Ale Public House Viability Test. In respect of the subject property, I have seen some documentation associated with the earlier planning applications and appeal, notably a Viability Assessment dated July 2012 by Mr JJ Keane.

1.5 For the avoidance of doubt, I confirm that although certain assumptions have been made regarding the value of the property, this report does not represent any formal opinion of either rental or capital value and is not compliant with the RICS guidelines in this respect.

2.0 QUALIFICATIONS AND EXPERTISE

2.1 I, Barry Edwin Jonathan Voysey, am the Director of Voysey Limited of Liss, Hampshire. The company provides professional consultancy services relating to licensed and leisure property, and I have extensive experience and knowledge within these property sectors.

2.2 I specialise in the valuation and rent review of hotels, public houses, restaurants and bars. I advise on market values, market rental values, negotiate rent reviews on behalf of both landlords and tenants and provide other consultancy advice. I have provided viability reports for a number of clients where alternative uses have been sought and reviewed those submitted as part of planning applications for Waverley Borough Council.

2.3 My current clients include national pub companies, regional brewers, a local authority and private individuals. As a member of the RICS Presidents Panel of Arbitrators and Independent Experts, I regularly accept appointments to determine rent reviews where the parties are unable to agree. Therefore, my personal workload is entirely concerned with licensed and hospitality properties.

2.4 As a mature student, I completed a Bachelor of Science First Class with Honours in Land Management in the University of Portsmouth in 1999 and a Postgraduate Diploma in Arbitration through the College of Estate Management, Reading in January 2007, where I was awarded the

President's Prize for overall performance. Since 2001 I have been a Professional Member of the Royal Institution of Chartered Surveyors (MRICS) and from 2007 Fellow of the Chartered Institute of Arbitrators (FCI Arb).

2.5 Between 2001 and 2006, I was employed initially in Estate Management roles both at Whitbread Plc and Laurel Pub Company; and then as a Senior Rent Review Surveyor at Enterprise Inns Plc where I had responsibility for some 2,500 tenanted public houses. During my employment at Enterprise Inns I undertook rent reviews and lease renewals, and managed a team of two Chartered Surveyors and one accountant. During this period I had direct responsibility for the valuation of public houses situated in the geographical area of the subject property.

2.6 In March 2006 I returned to private practice with NAI Fuller-Peiser who was subsequently acquired by Atisreal Ltd (now BNP Paribas Real Estate). Whilst at Fuller Peiser and Atisreal I acted on behalf of a number of corporate clients in the licensed and hospitality sector including JD Wetherspoon Plc, Inventive Leisure, Regent Inns Plc and Laurel Pub Company. In December 2007 I joined Fleurets a niche surveying practice operating in the licensed and leisure sectors, where I was employed until August 2012. During this employment I acted for a number of corporate operators, private individuals, and the clearing banks. I also undertook agency instructions regarding a number of freehold sales, on behalf of Punch Taverns, Enterprise Inns and private clients in the Hampshire, Sussex and Surrey areas.

2.7 In conclusion, I am Chartered Surveyor specialising in the valuation of public houses, restaurants, hotels and other licensed property, and I have over 13 years of experience gained from both working client side and in private practice.

3.0 DEALINGS WITH SUBJECT PROPERTY

3.1 I have no previous dealings with the subject property.

4.0 LOCATION

4.1 The small Oxfordshire hamlet of Burdrop is situated approximately 6½ miles to the west of the market town of Banbury, the surrounding area is rural. Otherwise, the nearest towns include Bicester, Stratford Upon Avon and Chipping Norton which are approximately 16 miles to the south east, 14 miles to the north west and 8 miles to the south west respectively. Road communications are fair with the easiest access to the village from the B4035 Banbury to Shipston on Stour road and thence via an unclassified road. From the south access is more problematic and involves approximately 4 miles of driving along a number of unclassified roads. In respect of public transport, the closest mainline railway station is in Banbury. The neighbouring villages of Sibford Gower and Sibford Ferris are served by a bus service that runs between Stratford Upon Avon and Banbury, from Monday to Saturday (no service on Sunday or bank holidays). The last bus from/to Sibford Gower arrives/departs at 18.35 meaning the bus service is of little, if no, assistance to customers of the Bishop Blaize.

4.2 Burdrop, Sibford Gower and Sibford Ferris form a single dormitory village “the combined village” known locally as the “Sibfords”. There is a single community website www.thesibfords.org.uk and although at present the Sibfords are locally governed by two Parish Councils, the combining of these is under consideration.

4.3 Burdrop and Sibford Gower are effectively linked without a distinct break between residential properties, both lie in the Sibford Gower Parish with a population of 498 persons living within 210 households (2001 Census). Approximately 20% of the parish population has an age less than 16 years and I would estimate therefore that approximately 385 persons are of a licensed drinking age. On the other hand Sibford Ferris and its Parish has a population of 428 persons living in 128 households; I would estimate the Parish of Sibford Ferris includes approximately 300 persons of drinking age. Approximately 7% of the combined village population is over the age of 75.

4.4 The Sibfords is characterised by better quality residential stock with over 50% being detached houses; with the exception of another public house, there is little evidence of commercial activity. The combined village also includes a primary school, village hall and village shop, the latter providing grocery, off licence, newsagent, dry cleaning and post office services.

4.5 The former Bishop Blaize is situated at the southern end of Burdrop. From the road linking Burdrop to Sibford Ferris, a narrow access lane leads to the front of the former public house and thence its car park; the road layout is likely to result in occupants of vehicles approaching the public house from the south not sighting the building until almost past.



Approach from the south

4.6 Within a five-mile radius there are 29 other public houses/pub-restaurants. There is another public house in the Sibfords the Wykham Arms which will directly compete for local custom. Therefore competition in the area is high and a public house in this location with a small local population and limited opportunity for passing trade will need to rely on repeat car borne destination trade.

5.0 THE PROPERTY

5.1 At the time of my inspection, I was advised the Bishop Blaize has not operated as a public house for a number of years. Therefore, in preparing my description as a hypothetically operating public house it has been necessary not only to rely on my inspection notes, photographs and plans provided, but also to have some regard to historic agents marketing details (**Appendix 1**).

5.2 Description

5.2.1 A predominantly two-storey detached building believed in part to date from the 17th century with stone elevations, set beneath a pitched slate roof. The original building has been extended on a number of occasions, mainly single storey under both pitched and flat roofs. The building is set back and separated from the roadside by a lawn and drive area; aesthetically the front elevation of the building is less welcoming with a significant part masked by a lean to addition and barn.

5.2.2 To the front of the building is a lawn area with timber benches and to the rear is a patio area and garden. To the left hand side of the property is a car park, with unmarked gravelled surface and space for approximately 20 vehicles. External photographs of the property are set out below.



Front elevation from road side



Rear elevation

5.3 Accommodation

5.3.1 The property is arranged over ground and first floors.

5.3.2 Ground floor – from the front of the building the customer areas are approached from an entrance door and lobby, alternatively from the car park a relatively steep external staircase provides a direct route. The customer area consists of interlinked rooms which have been equipped to provide a drinking area adjacent to bar, dining area arranged to provide 24 covers and lounge area with soft furnishings, although this could be equipped to provide a further circa 20 covers. Decor is traditional with timber beams, exposed stonework and painted plaster walls.

5.3.3 Ladies and gents customer toilets.

5.3.4 Catering kitchen, assumed to be, well equipped with tiled walls and adjacent fridge/freezer room.

5.3.5 To the front of the building is a beer store and general storage room.

5.3.6 First Floor – this is accessed from either an internal staircase or separate access from the car park. The first floor accommodation includes two bedrooms, lounge and two bathrooms.

5.4 Services

The property benefits from mains water, electricity and drainage. The central heating system is LPG.

5.5 Condition

5.5.1 Given the date of my inspection and that property has not operated as a public house for some time it is not possible to provide a report on the hypothetical condition that a potential purchaser of this as a public house would be faced with. Clearly this is a historic building, which would require above average annual repair costs, it would also be reasonable to assume that a hypothetical purchaser would identify a number of matters required attention at the time of purchase, together with allowing a contingency sum for any unforeseen items. Therefore, for the purposes of this report, I have assumed any hypothetical purchaser would in addition to the sum paid for the property be prudent in making an allowance for a further sum of £30,000 for any works necessary prior to reopening the business; this would include a nominal amount of repairs and redecoration, replacement of some kitchen equipment, resigning and rebranding.

6.0 BACKGROUND

6.1 Prior to purchase for £495,000 by the current owners on the 6 February 2006 the property was owned and operated by a Mr & Mrs Merchant. I do not have the benefit of knowing the business under the Merchant's operation, although I do note Mr JJ Keane's aforementioned report includes some information on their business. Given the trade enjoyed by the Merchant's I would assume they were hands on operators who would have employed limited staff. In other respects of the historic operation Mr Keane's report identifies that the business was wet led with ancillary food sales with approximate split of 66%/33%; the opening hours were traditional and that retail pricing was competitive for the area.

7.0 STATUTORY ENQUIRIES

7.1 Premises Licence

7.1.1 I have been advised that the Premises Licence was surrendered. For the purposes of my report I have assumed that the property has the benefit of a Premises Licence allowing an appropriate range of licensable activities including the sale of alcohol, late night refreshment, playing of music etc. with suitable hours and without onerous conditions attached.

7.2 Planning History

7.2.1 An online search of the Cherwell District Council shows the Bishop Blaize to be situated within a Conservation Area and to be in an Area of High Landscape Value. There is an extensive planning history as detailed below.

| Date: | Reference: | Details: | Decision: |
|-----------------------------|---------------------------------|---|-----------|
| Applications 1999 | 99/01783/f | Single storey extension to bar area to form a new freezer store and replacement garden store, as amended by plans received 05.11.99 | Permitted |
| 2001 | 01/00716/ADV (retrospective) | 2 No. Pre-destination directional signs. | |
| 2006 | 06/00248/F | Single storey extension to provide non smoking restaurant facility. | Permitted |
| 2006 | 06/01579/ADV (retrospective) | 3 no. free standing signs | Permitted |
| 2006 | 06/01697/F | Change of use from licenced premises to dwelling house. | Refused |
| 2007 | 07/00630/F | Resubmission of 06/01697/F | Refused |
| 2009 | 09/01275/F | Alterations and extension to barn to provide 4 en suite letting rooms | Withdrawn |
| 2009 | 09/01557/F | Change of use from closed public house to dwelling | Withdrawn |
| 2012 | 12/00011/CLUE | Certificate of Lawful Use Existing – use as a single dwelling house | Refused |
| 2012 | 12/00678/F | Change of use of a vacant public house to C3 residential | Refused |
| 2012 | 12/00796/CLUE | Certificate of Lawful Use Existing – use as a single dwelling house | Refused |
| Appeals 2012 | 12/00024/ENFAPP | Appeal in progress | |
| Enforcements 2012 | 12/00020/ECOU | Notice Issued | |

7.3 Rating

7.3.1 According to the Valuation Office Agency website, the Bishops End is entered into the 2010 Rating List as Public House and Premises at a Rateable Value of £10,750, which was effective from 1 April 2010. The property was entered in the 2005 Rating List as Public House and Premises at a Rateable Value of £10,150.

7.3.2 In the VOA website the residential accommodation “Bishop End” is assessed in the Council Tax Valuation List as with Band G.

7.4 Other Statutory Enquiries

7.4.1 The property is currently closed for business and to the public; therefore for the purposes of my report, as a trading public house, it has been necessary to assume that a Disability Discrimination audit, Environmental Health inspection, Fire Risk Assessment and Asbestos Inspection report have all been prepared. Furthermore, I have assumed that no matters identified in these reports are outstanding and there would be no onerous demands on the operators of the public house; in particular that no works with significant cost implications have been identified

8.0 BUSINESS VIABILITY CONSIDERATIONS

8.1 The National Picture

8.1.1 Over the last 20 years, public houses have faced a number of challenges and threats to their trade. Rising costs and increasing administrative red tape together with legislative changes have been significant threats to stability at all levels. The mass beer market has seen and continues to see, a shift to the off trade i.e. sales through supermarkets and this combined with the success of anti drink drive legislations have been significant factors leading to a general decline of traditional on licensed "across the bar" wet sales.

8.1.2 As reported by the British Beer and Pub Association (BBPA) in September 2008, beer volumes were at their lowest level since the Great Depression (**Appendix 2**). There has been no reversal of this trend with trade bodies and the pub companies continuing to report declining beer volumes. The most recent figures from the BBPA (**Appendix 3**) show that total sales and on-trade sales have generally declined; **over the past seven years the decline in on market beer sales is 32%** with larger managed public houses generally enjoying a period of relative success, the decline in smaller individually owned or tenanted pubs is likely to be at a greater rate; in contrast off-trade sales can be seen to be generally more positive.

8.1.3 The introduction of the statutory ban on smoking in all English work places that was effective from 1 July 2007 has had a significant impact on the trade of wet led public houses. At **Appendix 4** is a report issued in September 2008 jointly by the Federation of Licensed Victuallers Associations and the British Institute of Innkeeping. The report concluded:-

"The smoking ban has had a serious and continuing effect on trade with the very important custom of smokers much diminished and with little positive news in terms of increased non smoker or family business. The impact has been born most by the community, drink based pubs which have also had the fewest resources to withstand the downturn."

8.1.4 Significantly the report also concludes that the smoking ban in addition to impacting on drinks sales had an adverse effect on machine income, an important source of profit to an operator.

8.1.5 The economic downturn experienced from late 2007 and that has continued through to 2013 has had a dual impact on the licensed trade. Firstly, there is the effect of lower sales resulting from customers having lower disposable incomes, or purely exercising caution, and secondly the impact on the ability of potential purchasers of properties to raise finance. The banks have been and continue to be averse to risk; the situation is one where banks have not and continue not to entertain loans to potential purchasers of pubs who do not have pub trade experience. The situation is exacerbated in those instances like the Bishop Blaize where a history of healthy profits cannot be demonstrated. Whilst in such situations experienced operators may achieve finance it is

at reduced levels of loan to value. Indeed, my experience throughout 2008 to 2013 is that the banks have been reluctant to advance finance in situations such as the Bishop Blaize and if they were to do so, then a private individual purchaser would need to have at least 50% of the capital funds available as a deposit.

8.1.6 The rate of pub closures throughout the period of economic downturn has continued and in March 2008 this was at the rate of 27 per week, although as reported by the BBPA by September 2008 this had increased rapidly to 36 per week (**Appendix 5**). The situation improved slightly with the BBPA showing in March 2011 that 25 pubs were closing per week. More recently in March 2012 CAMRA advised that still 12 pubs were closing per week and industry bodies forecast closures to continue due to a combination of cost pressures that include the above inflation beer tax escalator (**Appendix 6**).

8.1.7 As a result, licensed property agents have for a considerable period of time had more closed units or distressed businesses available for sale than I have experienced during my years in the licensed trade.

8.1.8 Throughout 2008 to 2013 almost without exception, the national pub companies have been disposing of properties at the bottom end of their estates; these typically being smaller wet led public houses, many similar to the Bishop Blaize, which have been significantly impacted by reduced beer sales, considered difficult to operate and generate insignificant levels of income both for the company and tenant. Punch Taverns, Admiral Taverns and Enterprise Inns have disposed of significant numbers in order to reduce their debt and continue to do so. Other national pub companies to include Greene King have also disposed of assets as part of a process of rationalisation and a change of focus towards their managed house estates. Regional Brewers including Hook Norton, Wadsworth, Brains and Hall & Woodhouse have also disposed of low value unviable public houses. Many of these former pubs have been considered obsolete and are now in alternative uses including convenience stores, residential, other retail use.

8.1.9 Economic pressures on licensed operators, particularly at the lower end of the market place, will in my opinion result in the continuing closure of pubs in the foreseeable future and many others within the industry have reached a similar opinion (see **Appendix 7**). In May 2011 Jonathan Leinster a UBS analyst stated:

" We suspect the sector has not nearly rationalised enough ... Consumer spending is under pressure, input costs are rising and long-term declines in beer consumption make for a difficult trading environment ... In the longer term we believe there must be rationalisation of sites that cannot return their cost of capital".

8.1.10 And in June 2011 Tom Davies, Chief Executive of Brakspear Pub Company said:

"I firmly believe that as a nation we are over-pubbed because the way people use them has changed. There are places that used to get by on a core of drinkers and customers that are simply not viable as business sites any more. Village pubs used to have a tight community of locals but instead the homes around them are full of commuters or are second homes. Suddenly that trade is gone."

8.1.11 In September 2012 Jonathan Adnams, Chairman of the Adnams brewer and retailer said:

"I think we have to recognise that the world is changing, people are doing other things with their leisure time. They are not going to go down to the pub quite as much as they

used to because they are at home on the internet. When I was a boy, what did you do in ... the evening? Went down the pub. There was nothing else to do. We didn't have internet at home where we could sit and network with friends."

8.1.12 October 2012 saw the licensed and leisure data analysts CGA Strategy predict:

The UK's pub and bar sector will lose another circa 5,000 sites by 2017, with the shape and nature of the trading environment set to be "very different" in five years' time the sector will shrink, but at a slower rate, with closures led by wet-led pubs, social clubs and guest houses.

8.1.13 And In November 2012, Stephen Oliver Managing Director of Marstons Beer Company said

There are still too many pubs. It's difficult to put a figure on it but there are thousands too many. Nobody wants to see a pub close, but all pub operators suffer from having clusters of pubs in one area and a sensible strategy would be to rationalise them out.

8.1.14 The closure of poorly performing unviable outlets should ultimately result in a stronger and more sustainable market place for those public houses and restaurants that remain. Particularly in village locations where two or more public houses compete against each other for what is a limited local trade.

8.1.15 On a more positive note, regular eating out has become an established feature of the British culture and as wet sales have declined, many pubs have sought to maintain and develop a business by focusing on food led sales. However, net profit margins on food led businesses are typically 5 to 10% lower than wet led. Consequently they are dependant upon relatively high volume sales, and hence require a significant number of covers, which the Bishop Blaize could not provide, to ensure their viability. Furthermore, the start up and wage costs, particularly where there is significant competition, can be difficult to justify. In 2007 the Association of Licensed Multiple Retailers concluded:

"if you want to make a profit – forget food" (Appendix 8),

8.1.16 And more recently Jonathan Leinster said:

"Eating out as a share of total food sales peaked in 2005 ... That is not to say the eating out market is a poor one, but we are suggesting that the backdrop is not as constructive as some believe and is no panacea for a ... poorly located pub".

8.1.17 When considering the viability of a property as a public house, it is necessary to consider the physical constraints of the property, local and wider competition, demographics and the target market. In my experience the nature of the customer will essentially fall into one or, a number of the following categories.

- Local wet led
- Destination food led
- Destination pub restaurant (Gastro)

8.1.19 Local wet led

8.1.20 Local custom will tend to be walk to trade, drawn from the immediate surrounding community, whether residential or business, within probably no more than a half-mile radius from the public house. Assuming the public house is run in a good, competent and welcoming manner, the trade will essentially be attracted by the convenience of the location and the opportunity to socialise within the local community. It is becoming increasingly necessary for a local public house to offer some form of entertainment in order to persuade its customers out of their houses and into the pub. Often the provision of entertainment is expensive and where sales/profits are at low levels then it is difficult to justify.

8.1.21 Generally local trade will tend to be wet led with food as incidental, although in the case of town centre or pubs close to a business community, where suitable facilities for its preparation and service exist, together with ease of parking and access for the customer, lunch time trade may include an element of food sales.

8.1.22 In the current market smaller properties in this category, if offered to the market tend to attract interest from a small pool of local operators, although funding to proceed with a purchase is often problematic. Alternatively where the property is both large enough and occupies a good location then a purchaser may consider a change in style of operation.

8.1.23 There is no interest from the corporate operators for businesses with the characteristics of the Bishop Blaize; for example J D Wetherspoon's site requirements are as follows:

- 4,500 sq ft on ground floor with 2,000 sq ft ancillary or potential to extend.
- Have an external area
- Located in a city, market towns, seaside towns, commuter towns and lively suburbs

8.1.24 Destination Food Led

8.1.25 In contrast to local trade, destination custom will be generally be car borne and hence from a wider catchment area. Customers will be drawn to an establishment by virtue of an added attraction, which will usually centre upon a catering facility and the provision of meals. Such food led operations tend to be targeted to a particular market, whether that is family friendly, value orientated or pub-restaurant. Within rural areas, the characteristics of a destination led business are attractive surrounds, easy access and good parking, and businesses may seek to attract a wide range of customer type.

8.1.26 A large number of businesses will lean towards providing a traditional menu and many will be under the control of the national corporate operators. Some will be branded and examples of these include Vintage Inns (Mitchells and Butler), Chef & Brewer (Spirit Pub Company), Harvester (Mitchell's and Butlers), and Hungry Horse (Greene King). Others pubs operated by both national and regional multiple licensees will remain unbranded and retain an element of individuality.

8.1.27 In the current market, where corporate operators are one of the few parties able to fund an acquisition, it is typically properties with these characteristics that are in demand. As the number of these outlets grows and where supply outstrips demand, this has generated price competition, which the smaller public houses with lower volume food sales, particularly situated in the rural area, have found increasingly difficult to compete with unless they have a unique attraction, or selling point. Those corporate operators currently in the market with a summary of their requirements are:

- a). **Mitchells & Butlers** – for their Harvester, Toby Carvery, Miller & Cater, Premium Dining Group, Browns, Sizzling Pubs, Village Pub & Kitchen, All Bar One and Vintage Inn brands they require prominent, accessible opportunities with high footfall and/or high traffic flows. Standalone or inline units from 4,000 sq ft or upwards or development sites of circa 1 acre.
- b). **Greene King** – for their Hungry Horse, Loch Fyne, Old English Inns, Destination Pub require sites that are located edge or out of town, residential suburbs, retail or business parks but must have good visibility. Sites to be 1 acre in size. Depending upon brand they prefer population of 20,000 (age 15+) within 1 miles. Location with other branded competitors to be avoided. Building should have some historic, attractive and unique features.
- c). **Marstons Inns & Taverns** – want opportunities that offer 0.5 to 1.0 acre; freehold, long leasehold and existing buildings for conversion; new or existing housing/retail/office developments in the vicinity; prominent locations.
- d). **Tragus** – whilst a corporate restaurateur, it is helpful to illustrate that their requirements are similar to the national pub companies and they are seeking high street, leisure scheme, mixed-use developments, shopping centres, and tourist destinations. Floor area of 3,000 sq ft to 4,500 sq ft. and all day trading.

Note:

1. Copies of details of the above requirements are enclosed as **Appendix 9**.

8.1.28 Destination Pub-Restaurant (Gastro)

8.1.29 Often referred to as **Gastro Pubs**, these should be distinguished from the standard food led pub as providing a quality restaurant offer, sometimes in an attractive rural pub setting. Most Gastro pubs, unless located within densely populated and wealthy London Boroughs, will rely heavily upon destination custom and from the wider area. The attraction to the customer is a high standard of food, both in terms of presentation and provenance i.e. locally produced. Given the need for attention to detail, generally these operations work best under individual ownership or a small multiple operator who can spend time at the property and hence ensure standards are maintained. With similarities to a restaurant, staff levels will be very high and in some instances chefs may be award winning. Menu pricing will be high reflecting both the high quality food offer and high staff costs.

8.1.30 If offered in this market then there is a very small pool of potential operators, many of which appear to have a current focus towards developing businesses in London or other major cities. Alternatively, there are a number of celebrity chefs including Anthony Worrall-Thompson who have set up such businesses in rural locations with little or no success. More recently Pierre Marco-White has increased his number of pub businesses through the March 2011 acquisition of the Maypole Group. His view is *“The only way forward for pubs in the countryside is to turn them into restaurants that serve a pint”*. Given the prevailing economic situation, a property is unlikely to appeal as a gastro pub unless it has a particular charm and/or location and the local demographics are favorable.

8.2 Public house and Pub-Restaurant competition

8.2.1 Many rural villages have only one public house to support, whilst in contrast the combined village has had two to sustain, together with a village shop that is able to supply alcohol under an off licence.

8.2.2 The principal customer base for the public houses in the combined village will include both village locals and residents of nearby towns, although it is clear that the local towns are themselves relatively small, the largest being Banbury with a population of 41,802 and their residents have a considerably wide choice of public houses and restaurant businesses (www.pubsgalore.co.uk 104 pubs within the Banbury post code district; www.thegoodpubguide.co.uk 113 pubs within a 10 mile radius of Banbury; www.beerinthevening.com 111 pubs within the Banbury area).

8.2.3 Furthermore any public house operator would consider the needs of the community, before taking any investment decision. In this respect the “Sibfords Community Plan” published in October 2012 is of assistance. Within Section 7 “Community Facilities” (extract enclosed as **Appendix 10**) a number of questions were posed relating to the use of public houses. In particular I highlight the following:-

- a). 71 (13.2%) of the 535 responses confirmed they used the Wykham Arms once a week or more, these I would categorise as regular pub goers.
- b). 71% (380 responses) confirmed they used the Wykham Arms occasionally or never.
- c). 55% said they used the pub for food, this would be 39 of the regular pub goers. If each of those 39 persons only used the pub once a week then this may equate to 7 persons dining at the pub per day.
- d). 45% said they used the pub for socialising. This I calculate equates to 32 regular pub drinkers, which may result in 5 drinkers using the pub per day.
- e). Responses indicated the Bishop Blaize, would if open, be used more frequently by customers. It is unclear to me what this means, particularly as the Wykham Arms has a pleasant and dedicated bar area, and provides a good range of ales at reasonable prices see 8.2.1 below.
- f). Although located in Sibford Ferris a high proportion of the population use the village store, thus demonstrating the mobility of the population, to reach a facility, is not an issue.

8.3 Within a five-mile radius of the Bishop Blaize are 29 other public houses and details of these can be found below, a location map showing the position of these is enclosed as **Appendix 11**.

8.3.1 Wykham Arms, Sibford Gower

The Wykham Arms is an attractive stone building under thatched roof situated in Sibford Gower approximately 0.4 miles from the Bishop Blaize. In comparison to the Bishop Blaize the Wykham Arms benefits from superior facilities and hence should be capable of trading at a higher and hence a more sustainable level. The Wykham Arms has a central bar servery with trading areas with public bar and dining areas with seating for approximately 24 and 50 respectively with further seating adjacent to the bar servery. The property appears to be well maintained and in good decorative condition. Externally the Wykham Arms benefits from a car park with space for circa 25 vehicles and an external patio with seating for 40.

Historical evidence to include the Premises Register – Licence History dated 20 July 2005 shows that between 1999 and 2005 the property was under the control of six differing holders of a Justices On

Licence, whilst the reasons for this are unclear this is a greater number of changes than one would expect.

The Land Registry title entry confirms that the property is subject of a private lease commencing May 2005; the lease was assigned towards the top of the market in 2005 for a premium of £97,000, since then the business has been operated as a pub-restaurant by two classically trained chefs. The pub has featured in the Daily Telegraph (2007); Four Shires Magazine (2008) as well as being listed in Sawday's Pubs & Inns of England, the Michelin Pub and Red Guides. At the time of my customer visit beverage prices included ales at £3.00, guest ale at £3.25, premium lager 3.65 per pint. The pub-restaurant is closed on Mondays, but opens on Tuesday to Sunday; apart from Sunday evening food is available at all sessions with main courses at £10.00 to £18.50 and deserts £5.50. Take away food and drink is also available. More information is available at www.Wyksamarms.co.uk

My analysis of the Sibfords Community Plan is that only 39 people use the Wykham Arms for dining once a week (or 7 per day) therefore, it is clear that the Wykham Arms with a dining area with an approximate capacity of 50 must rely on repeat destination trade to be viable. Similarly in respect of the drinkers who regularly use the bar then it is clear that at the majority of sessions will see capacity easily exceed local demand.

8.3.2 Stags Head, Swalcliffe (*approximate distance from Burdrop 1.3 miles*)

The Stags Head is situated centrally within Swalcliffe approximately 1.3 miles to east of Burdrop and just off the B4035. This is an attractive but small stone built cottage with thatched roof, but there is no pub car park. The business appears closed, it is rumoured to have ceased trading and anecdotal evidence from an online search shows this pub to have changed hands on a number of occasions. The leasehold interest was assigned in July 2008 at which time actual net sales were in the region of £140,000 p.a. (see **Appendix 12**).

8.3.3 Lampet Arms, Tadmerton (*distance from Burdrop 2.5 miles*)

This pub-restaurant is situated approximately 2.5 miles east of Burdrop, situated centrally within the village and fronting the B4035. This is a road side property with single bar area, four letting bedrooms and car park to the rear. The property is in fair decorative order and but internally is in need of some modernisation and upgrading. In May 2012 the freehold interest in the property was placed on the market at the asking price of £275,000 (see agents particulars at **Appendix 13**). The Land Registry title entry confirms the sale completed in October 2012 at £240,000. The agent's sales particulars advise net annual sales under the previous owner were less than £73,000 p.a.

8.3.4 Chandlers Arms, Epwell (*approximate distance from Burdrop 2 miles*)

The Chandlers Arms is situated in the village of Epwell approximately 2 miles north of Burdrop. This is a small traditional stone building under slate roof with small garden and car park to the rear with space for 8 vehicles. The business was closed at time of visiting. The pub is owned by Hook Norton and the tenancy is currently being advertised on their website. The freehold of the Chandlers Arms is also available through Fleurets at an asking price of £250,000. Copies of tenancy and freehold marketing details are at **Appendix 14**. From the information available I am of the opinion that net beer sales within the last year would have been circa £25,000 and that total net annual sales are unlikely to be much above £50,000.

8.3.5 George & Dragon, Shutford (*approximate distance from Burdrop 2.5 miles*)

The George & Dragon is a village free-house occupying a central position within the village of Shutford and trading as a pub-restaurant. This is an attractive Grade 2 Listed Building with a restaurant and bar with an estimated combined capacity of circa 55, TV room. Externally there is an

external customer area, but there is no car parking on site. In 2011 the George & Dragon was voted runner up in CAMRA North Oxfordshire pub of the year. In addition to the pub-restaurant, Sky Sports is available in the separate TV room. Despite this, from Monday to Thursday the business opens evenings only, Friday lunchtime and evening sessions and at weekends all day.

8.3.6 Gate Hangs High, Near Hook Norton (*approximate distance from Burdrop 1¾ miles*)

This is a Hook Norton tenancy situated on the junction of two unclassified roads in a rural position approximately 1 ¾ miles south of Burdrop and a mile north of the village of Hook Norton. This is a detached stone building with car park to one side and garden to other. Internally the property benefits from a bar area and restaurant with total seating capacity estimated at circa 70. There are also four en suite letting rooms. The tenancy has recently been taken on by a small local multiple pub operator and opens seven days a week. Some weekday evening custom is generated by food themed evenings with drinks inclusive meal pricing.

8.3.7 George Inn, Lower Brailes (*approximate distance from Burdrop 3 miles*)

The George Inn is situated in Lower Brailes and fronts the B4035. This is a larger Hook Norton owned tenancy with public bar, two restaurant areas with a total seating capacity estimated at circa 75. The George Inn also benefits from 4 en suite letting bedrooms, car park to the rear and front of the building together with garden to the rear. The George Inn has a good location to attract both passing and local trade. The pub website www.thegeorgeatbrailes.co.uk advises that the business changed hands in November 2010, with the former award winning chef of the Masons Arms (8.2.15) taking over. There are regular steak nights and Friday drink promotions, in addition a range of entertainment is offered and the pub also hosts a mobile post office two mornings a week.

8.3.8 Gate, Upper Brailes (*approximate distance from Burdrop 3.5 miles*)

This is the second pub, albeit the other end of the village i.e. Upper Brailes and is also situated on the A4035. A smaller terraced relatively plain building with separate lounge and public bars, there are also two en suite letting bedrooms. To the rear of the building is a car park and garden with smoking shelter. The Gate has a good position to attract both passing and local trade, although will compete for both with the George. From the information available to me, I believe the Gate has changed hands within the past two years. The Gate is in need of some modernisation and offers food, drink and darts www.thegateatbrailes.co.uk

8.3.9 Cherrington Arms, Cherrington (*approximate distance from Burdrop 4 miles*)

This occupies a position within the village of Cherrington. A stone built property of two storeys plus attic and retail style unit to side. The Cherrington Arms was closed for business at the time of my visit and continues to be advertised "Tenancy Available" through Hook Norton Brewery (see details at **Appendix 15**). The pub has two customer areas including public bar and restaurant, the latter seating 45 persons. To the front is a car park for circa 30 vehicles and a large riverside garden to rear.

According to the Hook Norton details the pub has historically had a modest barrelage increasing from 76 to 117. The barrelage over the three year period would suggest net annual wet sales over the past three years to have averaged circa £110,000. Given the location and relying on the historical information it would be difficult to support total net sales at this site of greater than £150,000 p.a.

8.3.10 Norman Knight, Whichford (*approximate distance from Burdrop 3 miles*)

This is an independently owned and operated freehold pub situated within the village of Whichford. A relatively plain two storey building with painted elevations and extension to side. Internally the

customer areas consist of interlinked rooms. The property also houses the Patriot Brewery. To the front of the building is an external customer area with bench seating for approximately 60 persons, the Norman Knight has good car parking facilities and in the rear garden are five caravan pitches with electric hook up.

The business has changed hands twice in the past six years, most recently in 2009. Just prior to this the freehold interest was advertised for sale at an asking price of £575,000 and turnover at the time was stated to be £143,000. Since 2009 the property has been enlarged by way of a restaurant extension. The Norman Knight offers a range of ales, food and profitability is enhanced by the caravan business. In 2010 the pub won CAMRA Warwick County pub of the year.

8.3.11 Sun Inn, Hook Norton (*approximate distance from Burdrop 3.0 miles*)

The Sun Inn is a Hook Norton tied tenancy occupying a central position within Hook Norton village. The building consists of two formerly separate, now interlinked properties, of two storeys under pitched roofs. The pub was in the process of closing at the end of a lunchtime session when I attended, however, I am aware it offers bar, restaurant, function room with skittle alley and there are six en suite letting bedrooms www.thesuninn-hooknorton.co.uk. To the front of the building are parking spaces for 10 vehicles. Subsequent to my visit an online search shows the Sun Inn is now offering a coffee shop that opens Monday to Thursday and Sundays from 07.00 am.

8.3.12 Bell Inn, Hook Norton (*approximate distance from Burdrop 3.0 miles*)

The Bell Inn is situated centrally within the village; the pub was closed for business at time of visiting. This is a former Punch Taverns tenanted owned pub and according to Land Registry was sold in September 2012 for £240,000. The sale attracted VAT which suggests the property will continue to be used for commercial purposes.

8.3.13 Pear Tree, Hook Norton (*approximate distance from Burdrop 3.0 miles*)

The Pear Tree is situated away from the village centre, adjacent to the entrance road to the Hook Norton Brewery and serves as the Brewery Tap. A relatively small public house with single bar area and seating for approximately 30, there are three B&B Letting rooms. Externally there is customer seating to the front and to the rear a garden and car park. The pub is Hook Norton tenancy that offers drinks, food and accommodation. The article at **Appendix 16** shows that a new tenant took over in September 2011.

8.3.14 White Swan, Wiggington (*approximate distance from Burdrop 3.5 miles*)

The White Swan is situated within the small rural village of Wiggington and was closed at time of visiting. The property previously operated as a Hook Norton tenancy, but is now closed. We are aware that the freehold is available with vacant possession at a guide price of £250,000 (see agents details at **Appendix 17**). The tenants of the pub won Hook Norton's best new licensee in 2011 and hence it is disappointing to note the current situation and that neither an individual tenant or the brewery have been able to make this pub into a viable business.

8.3.15 Masons Arms, Swerford (*approximate distance from Burdrop 4 miles*)

The Masons Arms is situated on the A361 in a rural position between Banbury and Chipping Norton, which is a good location from which to capture passing trade. This is detached stone building under slate roof, externally there are customer gardens and a car park with space for circa 50 vehicles. The Masons Arms were closed when I visited; www.masons-arms.com the business is operated as a gastro pub under management with food offered at all sessions; also advertised are lunches from £9.00, functions and wifi. Some discounting is evident with weekday evening dining offers.

8.3.16 Duck On the Pond, South Newington (approximate distance from Burdrop 4 miles)

The Duck on The Pond is situated on the A361 in the village of South Newington midway between Banbury and Chipping Norton. This is an attractive roadside property formerly known as the Wykeham Arms that now operates as the Duck on the Pond www.duckonthepond.com. There are separate restaurant and bar areas and externally there is a patio and seating adjacent to the pond, together with car park for circa 20 vehicles. The business was closed at the time of my visiting but advertises "restaurant and bar meals seven days a week". According to Land Registry title entries the property was purchased in 2003 for the modest sum of £230,000 and has remained in the same ownership since.

8.3.17 Horse & Groom, Milcombe (approximate distance from Burdrop 3.0)

This property is situated within the village of Milcombe a short distance from the A361. An attractive two storey detached building of stone with slate roof. The business was closed at the time of my visiting but has bar, snug and dining area with combined capacity of over 80 persons, the Horse & Groom also benefits from 4 en suite letting rooms. Externally there is a customer area to the front and two small car parks. www.thehorseandgroominn.co.uk. The pub owned by Punch Taverns and was let on a 10 year lease from September 2004. I am aware from the Land Registry title entry that the lease appears to have been assigned and from the pub website that the property was refurbished in August 2011.

8.3.18 Red Lion, Bloxham (approximate distance from Burdrop 4.5 miles)

There are three pubs within Bloxham and this one is situated within the centre of the village fronting the A361 Banbury to Chipping Norton Road. The Red Lion is a detached property with separate public bar and lounge bar with 38 covers. Externally there is a car park with space for circa 20 vehicles and at lower level a large customer garden with its own brook. This is a Fullers owned pub operated under a tenancy www.redlionbloxham.co.uk. The pub opens seven days a week and offers a range of food and Fullers beers.

8.3.19 Joiners Arms, Bloxham (approximate distance from Burdrop 4.5 miles)

The joiners Arms is situated a short distance off the A361 in the centre of Bloxham. This is an attractive traditional public house in good condition with car park for 25 vehicles and a riverside garden. Internally there are four customer areas including a snug, bar, dining room and restaurant. I believe the property is subject to a private 10 year lease that commenced in May 2010. The Joiners Arms is operated as a pub-restaurant and custom is attracted by way of regular special food nights www.joinersarms.com

8.3.20 Elephant & Castle, Bloxham (approximate distance from Burdrop 4 miles)

This is the third pub in Bloxham and is located further off the A361 in a back street location. This pub is a coaching inn dating from the 15th century. There are separate lounge and public bars and a small courtyard provides an external seating area together with space for parking circa 12 vehicles, the pub also benefits from two en suite letting rooms. The pub is operated under a Hook Norton tenancy and opens seven days a week offering a range of ales and food. In 2011 the pub won Hook Norton's annual award for best accommodation.

8.3.21 Save & Sayle Arms, Broughton (approximate distance from Burdrop 4.5 miles)

The Save & Sale Arms is a public house situated in the village of Broughton on the B4045 two miles to the south west of Banbury. This is an attractive detached building in good condition with 20 car parking and customer garden. Internally there is a single split level customer area with seating for approximately 70 persons. The pub is operated under a private 10 year lease that commenced in 2002 and was assigned to the current operators in 2005. The business opens seven days a week, a

range of food and ales are offered and events include food theme and quiz nights www.sayeandselearms.co.uk

8.3.22 Blinking Owl, North Newington (approximate distance from Burdrop 4 miles)

The village of North Newington is situated 2 miles west of Banbury and a short distance from the B4035. The Blinking Owl is situated centrally within the village and was closed on the occasion I visited (13.00 on Friday lunchtime). The pub offers food, drinks and has the benefit of letting rooms.

8.3.23 White Horse, Wroxton (approximate distance from Burdrop 4.5 miles)

I have previously provided rental valuation advice in respect of this public house. The White Horse is situated within the village of Wroxton approximately 2 miles to the west of Banbury, the pub fronts the A422 Banbury to Stratford Upon Avon road and is well placed to attract passing trade. The pub is owned by Enterprise Inns plc and leased. Externally there is a car park with spaces for circa 20 vehicles and garden to the rear, internally the customer areas include circa 32 dining covers and a public bar with pool table. Food is offered all day www.thewhitehorsewroxton.co.uk

8.3.24 North Arms, Wroxton (approximate distance from Burdrop 4.5 miles)

The North Arms is located centrally within the historic part of Wroxton village and is a short distance off the A422; as a result there is no passing traffic. This is an attractive Grade 2 Listed Building with thatched roof, garden and car park to rear; internally there are two bar areas. The pub is owned by Greene King, but at the time of visiting the pub was closed and the freehold interest is available to purchase at a guide price of £275,000 (see agent's details at **Appendix 18**).

8.3.25 Dun Cow, Hornton (approximate distance from Burdrop 5 miles)

The Dun Cow is situated within the picturesque village of Hornton close to the village centre, there will be limited passing trade and a business in this location will need to capture repeat destination trade. This is an attractive stone built property providing a small village pub with three customer area seating a total of circa 50 persons. There is a car park to the rear. A range of ales and food is served. The pub website is currently unavailable. According to Land Registry the freehold interest in the property was sold in April 2011 to the current owners for £400,000.

8.3.26 Butchers Arms, Balscote (approximate distance from Burdrop 3 miles)

The pub is situated within the village of Balscote, which is a short distance off the A422 Banbury to Stratford Upon Avon road. A three storey grade 2 listed building set back from the road with garden and car park to front. The pub does not open at weekday lunchtimes and was closed when I visited. www.balscote.com/butchersarms/ The pub is operated under a Hook Norton Tenancy offering food and ales; a regular Hook Norton award winner in 2010 achieving best garden and community pub of the year in 2011 and also a nomination for the Great British Pub Awards sponsored by the Publican Morning Advertiser.

8.3.27 Bell Inn, Shenington (approximate distance from Burdrop 3.5 miles)

This pub is situated within the village of Shenington a short distance off the Banbury to Stratford Upon Avon Road. An attractive traditional public house a Grade 2 Listed Building, with no car parking and limited customer area to front. Internally the pub has two customer areas seating a total of 40 throughout and there are also three letting bedrooms (one en suite). www.thebellshenington.co.uk The pub has been operated by the same family for 18 years and provides a range of ales and traditional pub food

8.3.28 Pheasant Inn, Middle Tysoe (*approximate distance from Burdrop 4 miles*)

The Pheasant Inn is the only pub situated with the village of Middle Tysoe. This is a stone building fronting the main road through the village, the pub was closed at the time of my visit but appears to provide lounge and public bar with pool table. To the rear of the building is a garden and car park. The Pheasant Inn is owned by Punch Taverns and let on a 10 year lease that commenced in July 2003.

8.3.29 New Inn, Wroxton Heath (*approximate distance from Burdrop 4 miles*)

This pub has an isolated rural location but is situated on the A422 approximately 4 miles to the north west of Banbury. This is a detached stone building has been recently refurbished and has two customer areas with a combined capacity of 96 persons, spacious beer garden and car park for 40 vehicles. The property is currently advertised on both the Fleurets and Enterprise Inns websites with the latter quoting a new letting at a guide rent of £27,500 p.a. which would indicate their opinion of Fair Maintainable Trade may be in the region of £250,000 p.a. a copy of the letting details are at **Appendix 19**.

8.4 Competing Public Houses – Summary

- a). There is one other public house in the Sibfords; the Wykham Arms a traditional public house operated under a private lease by two classically trained chefs. In comparison with the Bishop Blaize the Wykham Arms has superior facilities (see 8.2.1), which should allow it to trade at a higher and more sustainable level.
- b). The combined Parishes of Sibford Gower and Sibford Ferris have a population of 926 persons and 348 households.
- c). It is probable that the village has not generated enough trade to support two viable public houses. The recent community plan confirms a low level of support for the Wykham Arms with only 71 persons using that pub once a week or more.
- d). The low level of weekday pub use is further evidenced by the decision of a number of pub businesses in the area not to open for Monday to Friday lunchtime sessions.
- e). Within a 5-mile radius there are 29 other public houses. Of these at least 10 have changed hands in the past two years; of the remaining 19, three are closed and freehold interest being offered for sale, three are available for a new letting, one is closed future unknown. The 29 pubs include a mix of free of tie and tied leases, and freehold owner-occupier properties, which would indicate a systemic issue regards the viability of pubs within this rural area.

9.0 THE BISHOP BLAIZE – VIABILITY

9.1 I have detailed at 8.0 above the issues to be considered when assessing whether the Bishop Blaize could be a viable public house.

9.2 As a Food Led Pub

9.2.1 I am of the opinion that the Bishop Blaize does not meet the criteria to be a food led or destination venue. My principal reasons for this are as follows:-

- a) The Sibfords include another public house the Wykham Arms, which has better facilities for a food led business including larger customer areas, larger car park and is operated by two classically run chefs. Given the responses for the recently published community plan, it is highly questionable whether there is sufficient demand in the village to sustain a second food led business.
- b) The customer areas are of a limited size, unable to provide sufficient covers for such a use. Assuming all customer areas were furnished for dining and at the detriment of drinking trade, then I would estimate a maximum of 44 covers could be provided.
- c) It would be possible to extend the building to provide a greater number of covers, but at significant cost. The previously consent was sought and permission granted to develop an extension to the restaurant. However, a condition of the consent required additional parking spaces to be provided. Given the raised construction of the existing car park and the need to move retaining walls, then enlarging the car park would not have been a simple task and this would have had serious impact on the total cost of the project.
- d) Historically custom at the site has been car borne. The Committee/Office Report appertaining to the 2006 extension consent advises a nearby resident objected on the basis that *"the car park cannot cope with the amount of patrons at weekends"*. Therefore to provide a number of extra covers and only two extra car parking spaces will only have exacerbated that situation.
- e) The location does not have a level of passing trade; there are many other premises in the surrounding area that are superior in this respect.
- f) Almost without exception, all of the 29 public houses in the outlying 5 mile radius as detailed at 8.2 above provide a food offer. There is a significant level of existing competition. Any investment is therefore at high risk.
- g) The existing building is unlikely to appeal to corporate operators and given the reluctance of banks to lend, a private individual purchaser would need sufficient capital not only to purchase but also to refurbish, equip the site and extend the property/car park to a standard where food of a high standard could be provided.

9.3 As a Destination Pub-Restaurant (Gastro Pub)

9.3.1 I am of the opinion that the Bishop Blaize does not meet the criteria to be a destination pub restaurant (gastro pub). Some reasons are as for food led businesses above, my principal reasons for this are as follows:-

- a) The front elevation of the Bishop Blaize is aesthetically poor and does not provide the charm or wow factor that customers of a gastro pub would seek out.
- b) A private individual purchaser or small multiple operators would need sufficient capital not only to purchase, but also to refurbish and equip the site to a standard where food of a restaurant standard could be provided.
- c) Within the surrounding area almost without exception all pubs offer a good standard of food.

- d) It is highly unlikely there would be sufficient demand in the village to sustain a gastro pub from local custom only.

9.4 As a Wet Led Locals Pub

9.4.1 The Bishop Blaize would, in my opinion, be most suited to a wet led/locals operation supplemented by food sales, which is how it was previously operated. However, the location for a local wet led public house is poor given the limited resident population and that there is another pub within the village with better facilities that includes an area set aside for local drinkers. The Sibfords also includes a well frequented village shop with post office facilities and therefore it is unlikely that the Bishop Blaize would be able to justify the cost and expense against the extremely limited income generating potential of such retail diversification. Any diversification should not be undertaken without research of demand, to ensure that pub owner occupiers, already working considerable hours, do not obligate themselves to even longer hours and potentially lower hourly wage rates.

9.4.2 On the basis that a wet led/locals operation with nominal food sales would be the most appropriate style of operation I shall now consider the trading potential of the site.

9.4.3 I have been provided with a number of years of trading accounts and the annual net sales are summarised below.

| Year Ending 31 March | Net Annual Sales |
|---------------------------|---|
| 2002 | £171,628 |
| 2003 | £178,350 |
| 2004 | £177,823 |
| 2005 | £191,742 |
| 2006 (46 weeks to 18 Feb) | £174,428 (Note: simply annualised would equate to £196,000) |
| Feb 2006 to 30 April 2007 | £109,937 |

9.4.4 I note Mr Keane's comments regards wet/food split of 66%/33%. For the year ending 31 March 2006 this would suggest drinks sales of £130,000 P.a. and food sales of £66,000 p.a.

9.4.5 I am also advised that the business operated with competitive pricing. In some instances sales may be driven through discounted food and drink promotions often at the expense of trade at nearby businesses. That low retail prices may have been offered cannot be proven, but may appear to be borne out by the achieved gross profit margin, which is below my expectations for a business of this nature. Returning to standard higher prices may result in a decline in sales, as drinkers no longer attracted by cheap retail pricing, migrate back to their preferred pubs.

9.4.6 In order to consider the potential of the Bishop Blaize I have collated below the sales information of other public houses that is in the public domain and where the property been sold/let given my opinion of the net annual sales, based on my analysis of sale, or guide prices. This is summarised below:

| Public House | Date | Total net sales |
|-------------------------------|----------------|----------------------------------|
| Stags Head, Swalcliffe | July 2008 | £140,000 p.a. |
| Norman Knight, Whichford | July 2008 | £143,000 p.a. |
| Dun Cow, Hornton | April 2011 | £275,000 p.a. (see note 2 below) |
| Lampet Arms, Tadmerton | May 2012 | Less than £73,000 p.a. |
| Cherrington Arms, Cherrington | July 2012 | £150,000 p.a. (see note 1 below) |
| Bell Inn, Hook Norton | September 2012 | £165,000 p.a. (see note 1 below) |
| White Swan, Wiggington | January 2013 | £165,000 p.a. (see note 1 below) |
| North Arms, Wroxton | January 2013 | £170,000 p.a. (see note 1 below) |
| Chandlers Arms | January 2013 | £50,000 p.a. (see note 1 below) |
| New Inn, Wroxton Heath | January 2013 | £250,000 p.a. (see note 1 below) |

Note 1: - BEJV opinion based upon analysis of transactions sale/guide prices and barrelage information.

Note 2: - BEJV opinion but when compared with other analysis appears high.

9.4.7 The rateable value of a public house also has regard to the FMT of the public house. However, the rating hypothesis, together with the range of percentage bands applied to income streams, makes working back from the Rateable Value to calculate FMT to be at best unreliable.

9.4.8 The Fair Maintainable Trade (FMT) is the level of sales that a reasonably efficient operator 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. From the table above, it is clear that the surrounding area includes many smaller public houses that are unopposed within their villages, but are still unable to generate income from both drink and food sales much above £150,000 p.a. Therefore on balance and having regard to the above, I am of the opinion that the Fair Maintainable Trade for this business would be £180,000 p.a. net of VAT.

9.5 Owner Occupier

9.5.1 In order to establish the profitability of the business to an owner-occupier, my opinion of the profit & loss account that a hypothetical prospective purchaser would have prepared is provided below.

| | | |
|--|---------------------------------|-------------------|
| FMT Turnover (including machine income) | | = £180,000 |
| Wet sales | £120,000 @ 60% | = £72,000 |
| Food sales | £60,000 @ 55% | = £33,000 |
| Total Gross Profit | | = £105,000 |
| Less | Costs @ 36.9% of wet/food sales | = £66,420 |
| | | = £66,420 |
| Profit before cost of ownership | | = £38,580 |

Notes:

1. The costs above do not include owner's drawings or a manager's salary.
2. It would be expected that an owner occupying couple would be fully employed within the business.

3. The costs are based on the British Beer & Pub Association Costs Benchmarking for Running a Pub (November 2012), which make allowance for staff costs and depreciation.

9.5.2 Cost of ownership will include finance costs. In reality due to the banks' lending criteria a purchaser would only be able to borrow a proportion of the capital required to purchase and refurbish the property. The remainder of the funds will need to come from cash holdings.

9.5.3 In respect of cash holdings injected into the business, it is necessary to consider the opportunity cost of both from a lost revenue and risk prospective. This is consistent with the *RICS Guidance Note (GN94/2012) Financial Viability in planning*, which states a viability test for town planning decisions, can be defined as:

An objective financial viability test of the ability of a [business or] development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the [business owner or] developer in delivering that [business or] project.

9.5.4 At my opinion of FMT broad-brush statistics (Fleurets Survey of Sale Prices 2011 at **Appendix 20**) would lead me to an approximate freehold sale price of £262,500. In my opinion a hypothetical sale price of the Bishop Blaize at £262,500 is supported by comparable transactions to include the sale of the Lampet Arms, Tadmarton, which sold for £240,000. Given its dated appearance and the modernisation/upgrading required, it is my opinion the purchaser of the Lampet Arms will need to spend a considerable sum if that property is to have any chance of trading successfully as a public house.

9.5.5 I also note the current marketing of two less attractive properties the Chandlers Arms, Epwell at £250,000 and White Swan, Wiggington at £250,000. I also note that Mr Keane was of the opinion (paragraph 21.7 of his report) that he would market the property at £295,000 and seek to achieve a sale price in the region of £240,000 to £275,000.

9.5.6 Furthermore market conditions are such that prospective vendors of public houses, which no longer meet the requirements for trading use, are inclined to put off sale decisions until market conditions improve rather than sell for less just because the use is obsolete. Simply market price cannot fall below a particular level before it ceases to be a price reflective of the market.

9.5.7 A sale price of £262,500 together with the £30,000 previously identified for works to be undertaken plus a small allowance for purchase of any stock and working capital would require the hypothetical purchaser to have total funding at least £292,500. In respect of the appropriate rate of interest to apply in my assessment of viability, I have made recent enquiries of a number of sources including two representatives of the high street banks, a representative of a bespoke banking service, a broker specialising in the financing of deals within the licensed property market and two recent purchasers of public houses; based on this research it is clear that all applications for loans in the current market are assessed on their individual merits. Due to lenders viewing this as a high-risk business area, applicants will need to have as a minimum public house and their own business experience, proven profitability of the business will also be a key factor. Loans are said to be available at around 5%, although sentiment is that banks are not actually lending at these rates and of they do, higher rates of up to 8% may be applied during the later years of the loan term. Those who had purchased public houses indicated to me loan rates of 6.25% to 6.75%; one high street bank said they were offering 6.5% fixed for a five-year period or 8.5% for a fixed ten-year period. Given my investigations into the banks current lending rates, their criteria and uncertainty over

future rates, it is my opinion that a prudent hypothetical purchaser would utilise within their assessment of viability an interest rate of 6.5%. A fifteen-year loan at 6.5% would equate to an annual finance cost of £30,000.

9.5.8 To reflect that an operator would require to be remunerated from the business, assuming a couple each work 40 hours a week, are paid minimum wage and making an allowance for holiday cover, it is necessary to make further annual deduction of £27,200. Although one must question if remuneration of £27,000 is sufficient given similar could be achieved working as an employee in say a convenience store, with no attendant risk or responsibilities.

Profit before cost of ownership = £38,580

Less finance/opportunity cost = - £30,000

Less remuneration for operators = - £27,000

LOSS after cost of ownership = £18,420

9.5.9 It is clear therefore that such a business would be loss making and neither provides a return for the capital invested in the business nor remuneration by way of salary for the owner. Adopting similar profit ratios it is necessary for this business to generate net annual sales in the order of £285,000 in order for it to reach breakeven. Given such a level of sales is almost £100,000 higher than that achieved in the best trading year, this would appear highly unlikely.

9.5.10 Even if one makes the assumption that the hypothetical purchaser had only borrowed half the combined purchase price and contingency sum then this would still result in the business making a loss. Reducing the sale price will not make this a viable business; it is merely one of the variables making this unprofitable.

9.6 Tenant

9.6.1 I have also considered the option of the property being owned by a pub company and let on the basis of a free of tie lease. The reality is that whilst the tenant may not have the initial refurbishment costs to incur, they would earn a reduced level of profit, as there would be a requirement to pay rent to the landlord.

9.6.2 Furthermore, given the history of sales at the Bishop Blaize and the current disposal strategies of the national corporate operators and regional brewers to include Punch Taverns, Enterprise Inns Plc, Greene King, Admiral Taverns and Hook Norton Brewery, who are currently selling rather than purchasing pubs of this nature, it is my opinion that the site would not be of interest to a pub company or brewer who operate a tenanted and/or leased estate.

9.7 Viability Summary

9.7.1 I am of the opinion that the Bishop Blaize is not a viable proposition for the following reasons:

- a). The likely return on the investment required does not reflect the risk.
- b). Given the physical constraints and in particular the size of the customer areas and car parking, this property would not attract a corporate operator purchaser, but a private individual. Given current bank lending criteria, even if supported with current trading accounts, it is my experience that a private individual would find it extremely difficult, if not impossible, to raise sufficient finance.
- c). There is a significant number of pubs within the surrounding area and almost all have an established food offering. Therefore any person looking to establish a food led business at the Bishop Blaize might struggle to capture market share.
- d). Given the above, the most appropriate use for the Bishop Blaize in my opinion would be as a wet led locals' public house with limited food sales and run by an owner occupier. However, it is clearly demonstrated at 9.4 above that such a business would clearly be unviable. Furthermore, historic On Market beer sales data shows a declining trend of 32% over the past seven years and if this trend continues then sales and profitability are likely to decrease further.

10.0 CONCLUSION

10.1 The criteria of Cherwell District Council Local Plan Policy S29 states:-

Proposals that will involve the loss of existing village services which serves the basic needs of the local community will not normally be permitted.

4.72 The District Council recognises the importance of village services, particularly the local shop and pub, to the local community and will seek to resist the loss of such facilities wherever possible. However, it is also recognised that it will be difficult to resist the loss of such facilities when they are proven to be no longer viable in the long term.

10.2 Mindful of the findings of my report **the criteria of the policy is met** because economic and cultural changes have resulted in reduced levels of trade being secured by public houses with the location and property characteristics of the Bishop Blaize. The limited trade potential allied with the cost of purchase and any necessary works likely to be undertaken by a potential purchaser makes this business in my opinion unviable as demonstrated at section 9.0 of this report.

10.3 The Combined Sibfords Parishes have a population of 926 persons of which circa 22% are under 16 and there are 138 households. Therefore I would estimate there are less than 685 persons of drinking age i.e. over 18 years. A recent Community Plan survey could only identify 32 regular pub going drinkers. Within The Sibfords and the surrounding areas there are a significant number of public houses and all operating styles consistent with the rural location are provided for.

10.4 Therefore, the criteria of policy has been met, the village and area is well served by licensed public houses. From the information available it is clear that the Sibfords has insufficient local trade to sustain two pubs. The preferred outcome must be for the village to have one successful thriving public house. Considering the two, the Wykham Arms has superior facilities which should allow it to achieve sales at a higher and more sustainable level. Therefore, the reopening of the Bishop Blaize will only put at further risk not only existing businesses within the surrounding area, but in particular the nearby Wykham Arms.

10.5 Accordingly, I consider that substantial evidence exists to support the view that the Bishop Blaize as a public house is unviable and the loss of this public house is consistent with policy S29.

11.0 PROFESSIONAL DECLARATION

11.1 I confirm that my report includes all facts which I regard as being relevant to the opinions I have expressed and that attention has been drawn to any matter which would affect the validity of those opinions.

11.2 I confirm that my duty to the tribunal 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.

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

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

11.5 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.

Signed:

B E J Voysey BSc (Hons) DipArb MRICS FCI Arb

Dated: