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PUBLIC HOUSE VIABILITY TEST



The White Horse PH, 22 and 24 High Street, Kimpton,
Hertfordshire SG4 8RJ

4th December 2023

Disposals • Acquisitions • Development • Consultancy

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1.0 Introduction:

Urbanside Property Limited has been commissioned by Eleven Six IT Ltd – the applicant, to provide a report on The White Horse PH, Kimpton and to consider the viability of the proposed micropub.

Peter Lapham currently of Urbanside Property Ltd has been providing agency and consultancy advice to major pub groups and property owners since 2004. Prior to that, he held positions in national pub companies, undertaking a wide range of roles within the property functions directly relating to public houses. His experience in licensed property spans 34years, commencing in 1989 with GrandMet Estates Ltd.

1.1 Report Format:

The report will seek to address the issues to be considered as contained within the 'Public House Viability Test' published by the Campaign for Real Ale, which is supported by the National Association of Local Councils.

2.0 The White Horse PH, Kimpton:

2.1 Location:

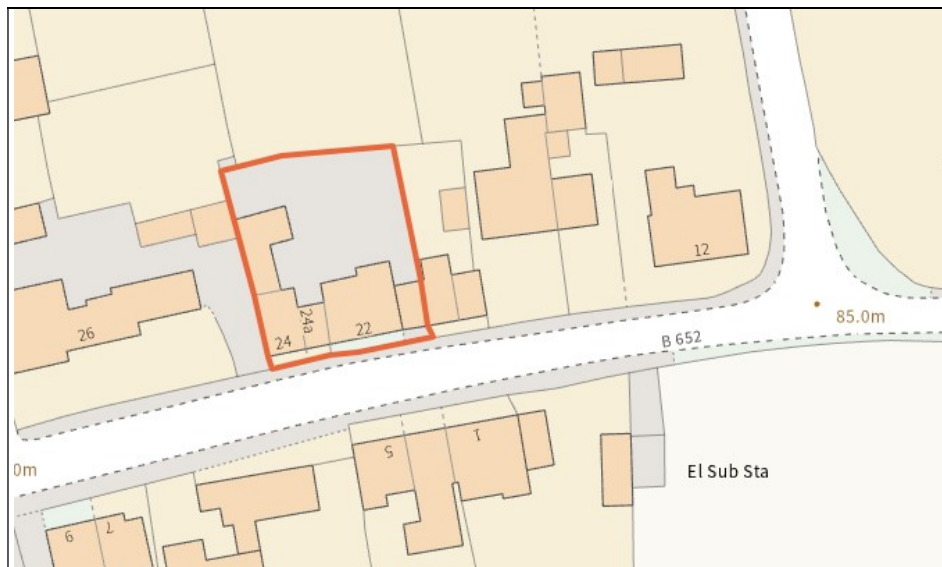
The village of Kimpton is an attractive and prosperous village set in the rolling hills of North Hertfordshire, west of Welwyn, south of Hitchin and north of Wheathampstead. The village is of generally linear form running east-west along the B651 High Street. The White Horse PH is at the eastern end of the village on the northern side of the High Street. The immediate surroundings are characterised by attractive period homes.

2.2 Description:

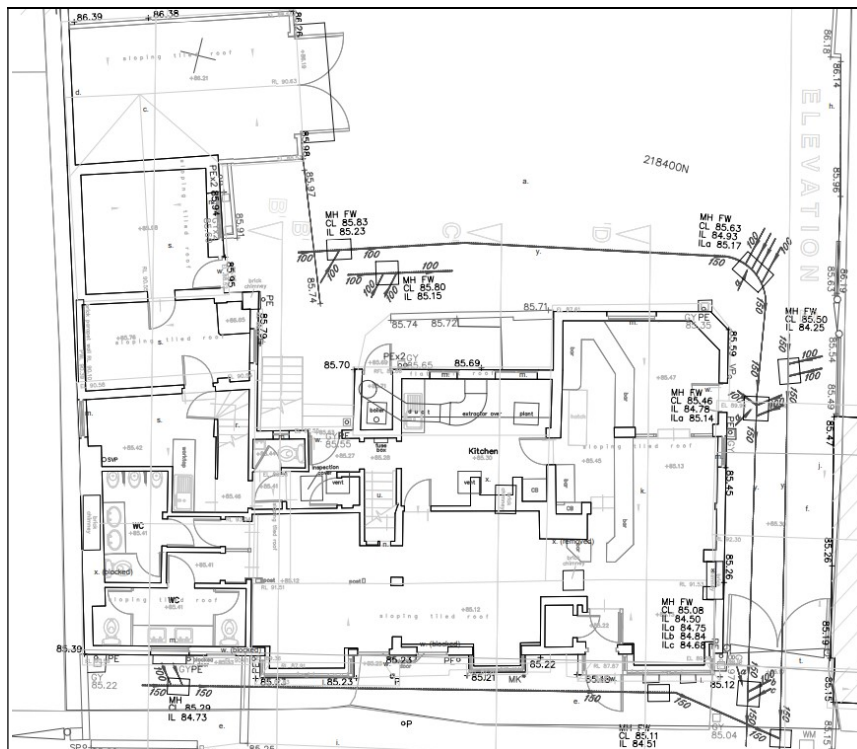
A largely two storey building forming the western end of a terrace and formed historically from a number of cottages. Access to the rear yard is via a gated archway through which there are further outbuildings at the rear. There is no car park nor trade garden save for a small forecourt on the frontage that was used for a few tables. Ancillary residential accommodation is provided across the first floor and into the attic rooms, access to this is internally via the pub. The ground floor trade areas are the sum of the union of 3 properties over the years and reflect this in their fragmented and interrupted layout.

The pub has been closed since 2014 and although it has been protected from the elements by the applicant and present owner, the property is in a very dilapidated condition.

Site Plan



Existing Ground Floor Plan



2.3 Trading History:

There is no documented trading history available, the pub having ceased trading 10years ago. It is understood though that the turnover may have been in the order of £100,000pa prior to its closure.

2.4 Planning History

The most recent previous application ref: (21/01018/FP) was refused on a number of issues, however in relation to the proposal for the provision of a micropub the following statement was made in the decision notice:

'The proposed part use of the premises as a micropub has been assessed by the Local Planning Authority (via consultants) to be an unviable and unsustainable business proposal. As such, the proposed micropub development is likely to fail resulting in the complete loss of a public house usage at the site and the consequent loss of a valued community facility'

To determine this application the LPA had commissioned a Public House Viability Test by Trinity Solutions Consultancy Limited. Their findings suggested that the proposed micropub would be unviable.

2.5 Current Proposal of a Micropub to be appraised

- offers significantly more floor space and therefore capacity for customers
- provides more ancillary areas to provide operational support
- does not propose any significant food offer thereby reducing pressure on ancillary areas and staff costs and providing increased customer capacity

Within the application the layout proposes a portion of the building to remain in use as a public house. Whilst the ground floor trade and ancillary areas are smaller than that provided within the original public house, which occupied the entire building, the reincarnation of the White Horse PH as a micropub is a proposition that would provide the continuing amenity that some in the local community have been vigorously campaigning for since it's closure.

A micropub, according to the **Micropub Association**, is defined as follows: "A micropub is a small freehouse which listens to its customers, mainly serves cask ales, promotes conversation, shuns all forms of electronic entertainment and dabbles in traditional pub snacks".

A micropub therefore usually consists of just one room with a bar counter. The primary focus is serving unique, local beer and often sourcing drinks from independent microbreweries. While some micropubs do serve bar snacks, they generally don't offer much in the way of food, instead focusing on serving quality beers and ales. Some welcome customers to bring in their own food or schedule visits from 'street food', fish and chips or pizza vans.

They're intended to be spaces for conversation and socialising over a drink, and most micropubs do not have TVs, or fruit machines.

These small pubs can be the only community spaces in small villages or towns that have lost many or all of their traditional pubs, providing a vital space to socialise over quality ales. As smaller venues, they tend to have lower running costs, making them more resilient to tough economic times.

With over 300 such pubs currently registered with the Micropub Association, and new pubs continuing to open, it's clear that they can represent a viable alternative to the declining number of traditional pubs.

3.0 Trade Potential:

Within the CAMRA 'Public House Viability Test' (PHVT) it is stated that the question to be addressed is: *'What could this business achieve given a management dedicated to it and with full discretion over stocking policy and type of operation?'*

Following the format of the PHVT:

3.1 Assessing the Trade Potential of the Micropub

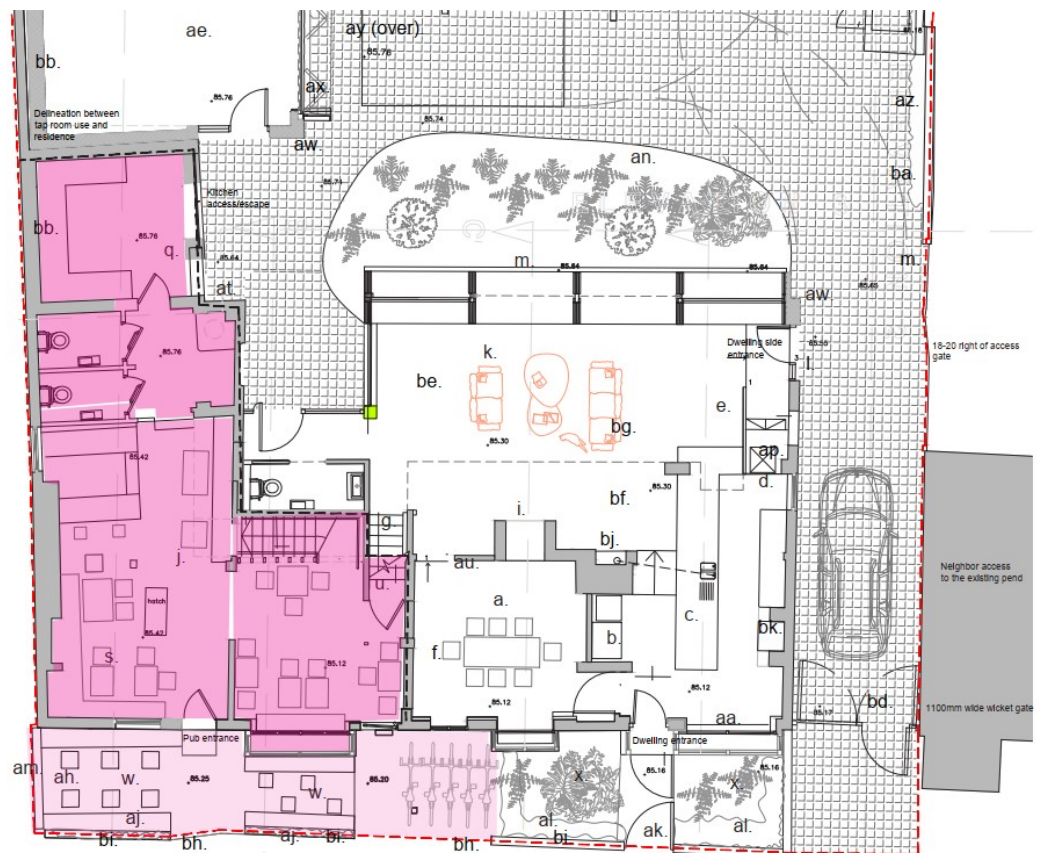
3.1.1 Physical Practicalities of the proposed accommodation

The proposed micropub will have its own dedicated entrance from the frontage of the property into a bar area. Additionally, there will be access to basement

Proposed Layout:

Architectural drawing of the First Floor Plan as Proposed 1:100. The plan shows a complex layout with various rooms, corridors, and a large pink-shaded area on the left. Key features include a 'Bedroom' with a fireplace, a 'bathroom', and a 'kitchen'. The plan is annotated with dimensions, room numbers, and structural notes like 'brick chimney' and 'sloping tiled roof'. The drawing is framed by a red line on the right and bottom, and a blue line on the left.

Ground Floor



It is not intended that the pub should be designed to offer any significant level of food. The costs of providing this including not only the initial investment into a catering kitchen but also the costs of staffing need significant levels of trade to become profitable. The number of covers becomes critical to provide sufficient capacity and in many pubs this provision has meant the traditional community drinking environment has been eclipsed. In the current economic environment pubs which are heavily reliant upon food trade are suffering financially from increased food costs, high utility bills for their high energy consumption and increased wage costs and staff shortages.

The proposition of a wet led micropub will ensure the community can regain a traditional drinking establishment and provide an offer that can be as resilient to current economic headwinds as is possible.

The Trinity Solutions Viability Test Report was critical of the limited size of the previously proposed pub and its assessment of viability was severely impacted by staff costs resulting from the intended food offer.

3.1.2 Summary of Floor Areas:

Floor Areas m ²	Existing	Proposed
Ground Floor Trade Area for Customers	56	40.5
First Floor Trade Area for Customers	0	22.5
Kitchen	14.5	12.5
Toilets and circulation	15	15.5
Total Trade Area	85.5	91

It can be seen from the table above that this revised proposal provides accommodation comparable and in terms of customer space, in excess of the existing public house. The ratio of customer area to total building area will provide a huge improvement in space efficiency that this proposal will provide.

3.1.3 Cost Implications for a Micropub

The significant increases in the running costs for traditional public houses has been well publicised over recent months, however this is exacerbated by the physical form of the majority of traditional public houses and in particular the traditional village pub.

Pub buildings are generally pre-1960's and more likely 19th century or earlier, energy efficiency and insulation is poor and consequently energy costs are high. Combine this with the overall size of the properties and the proportion that is trading space – that which produces revenue and profits as opposed to that which is ancillary, residential and often just unused space, and the inefficiencies become clear. Not only does a trading area need to generate revenue to heat the rest of the building it also has to maintain, repair and clean the rest of that building.

The proposed micropub will benefit from a much higher ratio of trading space to overall floor area, ancillary areas will be minimised to provide space that is required. Under the proposal for the entire site the fabric of the building will benefit from significant improvement and remedial work. Consequently the micropub will begin business with a shell in good order and a footprint that will be efficient in offering an appropriate level of trading space and ancillary accommodation to minimise operating overheads.

3.1.4 Suitable Operating Model

It is the intention of the applicant to make the micropub available on flexible terms. The scale of the business will be attractive to an individual or couple keen to establish such a venue with minimal upfront costs and low overheads.

Interest will be invited from the community who may wish to consider a social enterprise model or similar to take on the running of the micropub enlisting local residents to help in the daily routine and enhance the community credentials of the operation.

The property is unlikely to be of interest to multiple operators for whom this business would need to support the wages of full time managers as well as covering central overheads and then still deliver a profit.

The applicant is willing to be supportive and flexible toward any serious potential operator in terms of occupancy/operational form of agreements and rental levels or turnover/profit share agreements.

3.2 Population Density:

The population of the village of Kimpton is 1,542¹ comprising 632 households,. Average household incomes £52,300.

The Trinity Solutions Viability Test sought to consider population ratios to licensed premises. With pubs becoming more reliant upon food trade all village pubs serving food seek to market to a wider catchment than just their village. The question 'how many pubs can be supported in a village could more accurately asked as 'how wide a catchment is required to support a village pub'. At present the Boot PH, is the only

trading pub in the village and is most unlikely to be sustainable solely from residents of this village and must draw customers from a wider catchment to survive.

¹ Source: Office for National Statistics, The Electoral Commission

3.3 Visitor Potential:

Whilst Kimpton is a pleasant village there is nothing particular that would distinguish it as a destination for leisure activity or tourism.

It is an area popular with cyclists and so this is a particular customer group that could be developed.

3.4 Competition:

Within the village and comfortably within 800m is the only other pub in the village, The Boot PH, more centrally located, close to the village primary school and village hall. It benefits from a car park of 18 spaces, a large beer garden to the front along with 5 ensuite double letting bedrooms. The pub offers traditional home cooked pub food and serves as a local community pub as well as drawing trade from a larger catchment for food and events. Further details can be seen here: <https://www.bootkimpton.co.uk/> however some information does now seem to be historic.

The White Horse PH would historically have traded in a similar manner without the benefit of the letting rooms, garden nor car parking though. To re-open the White Horse PH as a traditional pub would force it into direct competition with The Boot PH both in the provision of drinks and food. To re-open as a micropub would be to develop and create a new niche, and maybe attracting new drinkers who would not necessarily be current patrons of the Boot PH.

Within the surrounding villages there are numerous village pubs mostly reliant upon capturing food sales from catchments beyond their village boundaries. Whilst it is true to say that village pubs serve their local community and provide valuable amenity it is also true to say that few would be financially viable if they were only to serve their local community.

The proposal of a micropub provides an amenity that, due to its smaller size and lower costs, is more likely to be viable in serving just its local community and providing a true social amenity to the village.

3.5 Flexibility of the Site:

The micropub will be a minimalist operation and the inclusion of this question within the CAMRA format demonstrates the issue that most pubs have in the liability of unused floor space and need for additional income streams.

3.6 Parking:

There is no onsite customer parking however the majority of trade, being wet led, is likely to be arriving on foot or bicycle from the local area or by taxi or car – with a nominated driver.

3.7 Public Transport:

Kimpton is served by 4 bus routes with connections to Luton, Stevenage, Hitchin, St Albans and Welywn. However the buses are infrequent and do not run after 7.30pm. It is unlikely that public transport would support the journeys of any significant numbers of customers.

3.8 Multiple Use:

Whilst CAMRA consider the flexibility of the site as in 3.5 above they also seek to promote multiple uses of the building to support the continuance of the pub operation itself. It is clear that this is precisely the intention of this application. The applicant is taking a large and badly dilapidated public house, reducing the trading area to an appropriate size capable of being supported by the local market and through the residential conversion of the remainder of the building providing the financial viability to repair the structure and preserve this Grade II Listed building for the future.

4.0 The Business at Present

The business has been closed since 2014

At the time of its closure it is understood to have been trading with a turnover of circa £100,000pa.

4.1 Financial Viability: Re-opening as a traditional Pub

The property as it stands has not traded since 2014. Whilst the applicant has endeavoured to protect the building during his ownership the property is in significant disrepair. The costs to put into good repair and undertake a full fit out a public house to include all required fixtures fittings and equipment is estimated to be in excess of

£750,000 and potentially significantly more. Costings were undertaken in 2018, prior to the Covid pandemic and recent building cost inflation.

Works include all structural repairs (previously identified) to the timber structure, re-roofing, windows, boundary walls and external works. Internally full refitting of all services and installations refinishing to all accommodation and fully fitting the public areas and back of house to include a new catering kitchen and cellar plant. Finally, it includes for full scaffolding and site arrangements and professional fees. To undertake such a project upon a building in the current state of disrepair, that is also Grade II Listed, does carry a very real risk that budgets and timescales will increase as unforeseen problems arise.

For any party to acquire this property, undertake the works and achieve a commercial return from the re-opened pub is simply not realistic: a turnover of maybe £20,000 a week would be required, likely to be beyond the capacity of the trade area, this level of trade would certainly not be achieved by serving the local community but by serving a much wider catchment area to attract customers who would then need extensive car parking which cannot be provided either on site or on street.

The 'Save Our White Horse' Campaign' offered £280,000 on 26 August 2022, aside from this sum simply not being at a level that the applicant could consider accepting, there has been no evidence of funding being in place to make the purchase nor indeed fund the costs to repair and re-open the public house. There would seem little to be achieved by any community group purchasing a public house without realistic funding in place to achieve a successful re-opening.

4.2 Financial Viability: Opening a Micropub

The Trinity Solutions Viability Test, which considered the micropub proposed under the previous application, included a forecast profit and loss account for the business. In summary it considered the weekly Fair Maintainable Trade to be £759 for drinks and £1,380 for food resulting in an annual turnover of £111,228. The gross profit calculated from this was £69,141. With staff costs included at £64,921 clearly this proposal was never going to be considered viable. The turnover of the pub prior to its closure had also been estimated at circa £100,000pa.



To re-open the pub as it is or as was previously proposed with a micropub offering food are both options that can clearly be seen to be unviable.

The current proposal seeks to provide a larger trading area, dispense with the costly provision of food and provide a cost effective operating environment.

Micropubs usually provide distinctive local ales and will usually set prices to reflect the premium nature of these products.

Considering a net price average of a pint of beer to be £5 an annual turnover of £100,000 requires the sale of 54 pints per day on a 7 day week operation. At 3 pints per customer that is an average of 18 customers per day. Whilst a simplistic calculation it serves to demonstrate that such a turnover purely based upon beer sales is not unrealistic considering that sales could be further supported by soft drinks, wines & spirits, snacks, off sales and even coffee.

Assuming a Gross Profit of 60% this would leave £60,000 for overheads, rent and profit. The Trinity Solutions Viability Test proposed overheads, excluding wages, of £16,000, if this is taken as a reasonable assessment, the remaining £44,000 can be split as rent and profit/wages to the operators. Even with some minimal bar staff costs, this would seem to suggest that there is every opportunity to create a viable business here.

Should the local community wish to consider the operation of the micropub, with volunteer support, the viability of the operation becomes even more robust.

5.0 Opportunity to Increase the Amenity for the Local Community:

Currently the White Horse PH is shut, and has been since 2014, the applicant has, through the previous planning application and now through this application, been endeavouring to support a continued pub use.

The 'Save our White Horse' campaign has staunchly resisted the loss of the public house, however it would seem that their aim of purchasing the property is not realistic otherwise, given the timescale over which the campaign has run, it would have been achieved by now.



If the same support and enthusiasm to 'save the pub' can be harnessed behind this proposal, either operationally or as customers, then this micropub proposal has every chance of success and achieving what the campaign has been striving for over recent years.

6.0 Summary & Conclusion:

At the start of this report reference was made to the CAMRA 'Public House Viability Test' which states that the question to be addressed is: *'What could this business achieve given a management dedicated to it and with full discretion over stocking policy and type of operation?'*

Having considered this throughout our report it is clear that the reopening of the White Horse PH in its previous form is not viable and there are no viable propositions to achieve this. This proposal to provide a smaller and operationally efficient micropub to serve the community around it, rather than being a 'destination food house' serving a wider catchment. This is surely what the local community has been campaigning for.

It has been demonstrated above that the physical attributes and trading style can be financially viable for both an operator and the applicant.

Peter Lapham

For and on behalf of
Urbanside Property Ltd

4th December 2023