

Running a pub

A guide to costs for tied tenants and lessees
2016



Running a pub: a guide to costs for tied tenants and lessees

Contents

- Introduction 2
- Background and explanatory notes 3
- Small community local £4k (turnover per week) 6
- Community wet-led £5k 7
- Community wet-led £8k 8
- Rural character £5k 9
- Rural character £8k 10
- Town/country food-led £10k 11
- Town centre pub/bar £10k 12
- Summary table (£ costs) 13
- Summary table (% costs) 14
- Annex A – template for accommodation pub model 15
- Annex B - useful contacts/links 16

Introduction

Business plans, and the negotiations over leases and tenancies in the UK pub trade should be as well informed as possible. This guide provides the latest data for tenants and lessees on typical operating costs in the UK pub industry.

This report represents the best available 2015 data from BBPA member companies on the costs of running a tied pub in the tenanted and leased sector. It is a vital reference tool for anyone running a tied pub or thinking of doing so.

The guide shows the average and range of costs in running a pub over a variety of pub models based on turnover and business types, including food and wet led models.

The report takes account of the significant variations that exist in the cost base - even within those pubs that are broadly in the same category. Such costs are based on the size and location of the pub, the age and state of repair, the operating style and the experience of those in charge. Costs will also vary dependent on tenure type (for example repair and insurance obligations).

As well as providing average costs, the guide also includes the minimum and maximum typical costs providing a range of scenarios across different types of business.

However, we would point out that as input data and sources change each year, the information should not be used to determine trends from year to year. For example, this year's guide includes a new cost line (interest of capital). The data should also be used in conjunction with sources such as the ALMR's annual benchmarking survey and other pub trade data.

Background

The BBPA guide has been compiled from data supplied by BBPA members in relation to short term tenancies and longer term leases (the latter tend to be fully repairing and insuring).

The tables represent a composite of accounts presented to tenants by companies based on their experience across their entire estate, and individual pub accounts that have been made available to their pub companies.

The information is supplied in summary form across six different pub models. While not inclusive of all business models, they are representative of the great majority of public houses run as either tenancies or leases.

Costs are shown on the basis that the pub business is directly operated by the tenant or leaseholder and that their income is derived from the profit remaining after operating expenses and rent payable is deducted.

The examples and figures supplied in the survey give an indication of costs that are likely to be incurred in the types of pub businesses described in this guide.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs. For further information on taking on a pub, please refer to the links section at the end of this guidance.

Pub models

Seven pub models are illustrated in the report:

- Small community local (c100% drink) turnover c£4,000/week
- Community wet-led (c90:10 drink/food) turnover c£5,000/week
- Community wet-led (c90:10 drink/food) turnover c£8,000/week
- Rural character (c50:50 drink/food) turnover c£5,000/week
- Rural character (c50:50 drink/food) turnover c£8,000/week
- Town/country food-led (c30:70 drink/food) turnover c£10,000/week
- Town centre pub or bar (c70:30 drink/food) turnover c£10,000/week

Please note the turnover and split for each model are general guidelines to give an indication of the focus of each business, and may not exactly relate to each data set presented.

Annex A shows an example of how a licensee may wish to set out an accommodation-focused pub profit and loss account.

Excluded costs

A number of costs (and income streams) have not been included in the guide. These include:

- MANAGERS' SALARIES: Individual tenanted and leased pubs (the focus of this survey) do not employ full-time managers and therefore such costs are not included. All other staff costs are included in the survey. Staff costs for food-led pubs are greater, given the need for specialist expertise and the greater labour input required in running a food-led operation.
- AMUSEMENT MACHINES: Amusement (Category C/fruit machine, Skill with Prize, pool tables etc.) income nor the costs associated with these have been included in the figures. Not all pubs have machines and arrangements differ across companies and estates.
- ENTERTAINMENT: The cost of entertainment, such as televised sport (Sky/BT Sport) live or recorded music, are not included, as they are optional to

the pub models and can be added to any business plan or rental assessment where relevant.

Operating costs per pub model

The main body of the report has been arranged by the average reported **operating costs** for each pub category. As previously highlighted, costs exclude managers, gaming machines and entertainment.

Summary tables

At the end of the report, summary tables have been arranged by the maximum and minimum reported total **operating cost** for each pub model, as well as the average. As previously highlighted, costs exclude managers, gaming machines and entertainment.

Value Added Tax

It is important to note that all figures are quoted **exclusive** of VAT and any profit related tax such as Corporation Tax.

Divisible balance

Divisible balance is the profit made before rent is deducted. It provides an indication of what rent might be asked for by the pub operating company. RICS guidance states that rents can be in a range of 35%-65% of divisible balance. However, many pub rent settlements are more typically in the 45%-55% of the divisible balance range. All rents can be subject to negotiation by both parties.

The divisible balance is also dependent on the margins achieved on the selling price of drinks and food passing through the business. This can be higher or lower, depending on the arrangements offered by the pub operating company, the location and style of the business and the expertise of the tenant/licensee in obtaining the best return.

Small community local

c. £4k turnover per week
All figures exclusive of VAT

£	
Total Drinks Sales	4,115
Total Food Sales	89
Total Sales	4,204
Cost of drinks	1,998
Cost of food	39
Total Cost	2,037

Gross Profit	2,167
---------------------	--------------

52% gross profit margin

% cost to turnover

Wages & Salaries	529	12.6%
Rates	151	3.6%
Utilities	263	6.3%
Repairs & Renewals	66	1.6%
Insurance	44	1.0%
Marketing/Promotion/Telephone	65	1.5%
Consumables	24	0.6%
Waste Disposal/Cleaning/Hygiene	36	0.9%
Professional fees	62	1.5%
Bank charges	26	0.6%
Equipment Hire etc	7	0.2%
Interest on capital	24	0.6%
Other Costs	167	4.0%

Total Operating Costs	1,464	34.8%
------------------------------	--------------	--------------

Divisible Balance	703	16.7%
-------------------	-----	-------

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT.

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model - extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs - check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Community wet-led

c. £5k turnover per week

All figures exclusive of VAT

	£	
Total Drinks Sales	4,589	
Total Food Sales	404	
Total Sales	4,993	
Cost of drinks	2,221	
Cost of food	165	
Total Cost	2,386	
Gross Profit	2,607	52% gross profit margin
		% cost to turnover
Wages & Salaries	713	14.3%
Rates	172	3.5%
Utilities	247	4.9%
Repairs & Renewals	80	1.6%
Insurance	55	1.1%
Marketing/Promotion/Telephone	75	1.5%
Consumables	19	0.4%
Waste Disposal/Cleaning/Hygiene	52	1.0%
Professional fees	66	1.3%
Bank charges	28	0.6%
Equipment Hire etc	6	0.1%
Interest on capital	24	0.5%
Other Costs	99	2.0%
Total Operating Costs	1,636	32.8%
Divisible Balance	971	19.5%

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT.

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model - extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs - check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Community wet-led

c. £8k turnover per week

All figures exclusive of VAT

	£	
Total Drinks Sales	6,690	
Total Food Sales	751	
Total Sales	7,441	
Cost of drinks	3,288	
Cost of food	302	
Total Cost	3,590	
Gross Profit	3,851	52% gross profit margin
		% cost to turnover
Wages & Salaries	1,190	16.0%
Rates	266	3.6%
Utilities	326	4.4%
Repairs & Renewals	99	1.3%
Insurance	64	0.9%
Marketing/Promotion/Telephone	128	1.7%
Consumables	10	0.1%
Waste Disposal/Cleaning/Hygiene	70	0.9%
Professional fees	71	1.0%
Bank charges	38	0.5%
Equipment Hire etc	5	0.1%
Interest on capital	36	0.5%
Other Costs	152	2.0%
Total Operating Costs	2,456	33.0%
Divisible Balance	1,395	18.8%

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT.

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model - extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs - check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Rural character

c. £5k turnover per week
All figures exclusive of VAT



£		
Total Drinks Sales	2,818	
Total Food Sales	2,070	
Total Sales	4,888	
Cost of drinks	1,327	
Cost of food	787	
Total Cost	2,114	
Gross Profit	2,774	57% gross profit margin
		% cost to turnover
Wages & Salaries	944	19.3%
Rates	140	2.9%
Utilities	339	6.9%
Repairs & Renewals	84	1.7%
Insurance	43	0.9%
Marketing/Promotion/Telephone	71	1.5%
Consumables	30	0.6%
Waste Disposal/Cleaning/Hygiene	54	1.1%
Professional fees	48	1.0%
Bank charges	31	0.6%
Equipment Hire etc	24	0.5%
Interest on capital	28	0.6%
Other Costs	76	1.5%
Total Operating Costs	1,913	39.1%
Divisible Balance	861	17.6%

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT.

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model - extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs - check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Rural character

c. £8k turnover per week
All figures exclusive of VAT



£		
Total Drinks Sales	4,588	
Total Food Sales	3,793	
Total Sales	8,381	
Cost of drinks	2,116	
Cost of food	1,444	
Total Cost	3,560	
Gross Profit	4,821	58% gross profit margin
		% cost to turnover
Wages & Salaries	1,882	22.5%
Rates	280	3.3%
Utilities	419	5.0%
Repairs & Renewals	124	1.5%
Insurance	60	0.7%
Marketing/Promotion/Telephone	115	1.4%
Consumables	75	0.9%
Waste Disposal/Cleaning/Hygiene	81	1.0%
Professional fees	76	0.9%
Bank charges	59	0.7%
Equipment Hire etc	27	0.3%
Interest on capital	41	0.5%
Other Costs	87	1.0%
Total Operating Costs	3,326	39.7%
Divisible Balance	1,495	17.8%

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model - extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs - check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Town/country food-led

c. £10k turnover per week
All figures exclusive of VAT



£		
Total Drinks Sales	4,708	
Total Food Sales	6,926	
Total Sales	11,634	
Cost of drinks	2,079	
Cost of food	2,738	
Total Cost	4,817	
Gross Profit	6,817	59% gross profit margin
		% cost to turnover
Wages & Salaries	2,888	24.8%
Rates	491	4.2%
Utilities	514	4.4%
Repairs & Renewals	191	1.6%
Insurance	53	0.5%
Marketing/Promotion/Telephone	106	0.9%
Consumables	59	0.5%
Waste Disposal/Cleaning/Hygiene	154	1.3%
Professional fees	69	0.6%
Bank charges	89	0.8%
Equipment Hire etc	99	0.8%
Interest on capital	59	0.5%
Other Costs	143	1.2%
Total Operating Costs	4,916	42.3%
Divisible Balance	1,901	16.3%

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model - extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs - check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Town centre pub/bar

c. £10k turnover per week
All figures exclusive of VAT

	£	
Total Drinks Sales	6,525	
Total Food Sales	1,674	
Total Sales	8,199	
Cost of drinks	3,016	
Cost of food	650	
Total Cost	3,666	
Gross Profit	4,533	55% gross profit margin
		% cost to turnover
Wages & Salaries	1,581	19.3%
Rates	304	3.7%
Utilities	377	4.6%
Repairs & Renewals	123	1.5%
Insurance	61	0.7%
Marketing/Promotion/Telephone	228	2.8%
Consumables	75	0.9%
Waste Disposal/Cleaning/Hygiene	72	0.9%
Professional fees	78	1.0%
Bank charges	48	0.6%
Equipment Hire etc	24	0.3%
Interest on capital	35	0.4%
Other Costs	86	1.0%
Total Operating Costs	3,093	37.7%
Divisible Balance	1,440	17.6%

Notes

Figures show average for all pubs reported in this category. Figures are presented exclusive of VAT

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model – extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs – check with your pub company/brewery as to what discounts may be available.

Where these figures are to be used in preparing business plans or for other purposes it should be borne in mind that all pubs are unique and that the actual costs incurred will be dependent on the different aims and styles of the business according to the location, the market and the skills of the tenant/lessee.

Costs do vary across the country and the size of the business, as well as its focus, will have significant impacts on costs.

Summary table (% costs)

All figures exclusive of VAT

	COMMUNITY WET LED (100% wet) c.£4,000/week (ex. VAT)		COMMUNITY WET LED (90:10) c.£5,000/week (ex. VAT)		COMMUNITY WET LED (90:10) c.£8,000/week (ex. VAT)		RURAL CHARACTER (50:50) C.£5,000/week (ex. VAT)	
	Min OC	Max OC	Min OC	Max OC	Min OC	Max OC	Min OC	Max OC
Wages & Salaries	11.3%	11.0%	11.0%	14.0%	16.3%	13.7%	19.0%	19.5%
Rates	4.0%	3.2%	3.5%	2.4%	2.7%	1.1%	3.6%	4.9%
Utilities	4.5%	16.3%	3.8%	15.4%	2.4%	16.5%	3.8%	6.8%
Repairs & Renewals	1.2%	1.0%	1.1%	1.1%	0.8%	0.5%	1.4%	3.3%
Insurance	0.8%	0.8%	0.6%	0.7%	0.5%	0.9%	0.6%	0.7%
Marketing/Promotion/Telephone	0.5%	4.3%	0.5%	4.1%	1.3%	2.3%	0.8%	1.1%
Consumables	1.3%	1.2%	1.1%	2.0%	0.9%	0.7%	1.0%	0.4%
Waste Disposal/Cleaning/Hygiene	0.5%	1.1%	0.4%	0.9%	0.5%	1.1%	0.6%	1.3%
Professional fees	1.3%	0.0%	1.0%	0.0%	0.8%	0.0%	1.0%	1.3%
Bank charges	0.4%	0.5%	0.4%	0.5%	0.6%	0.2%	0.7%	0.7%
Equipment Hire etc	0.3%	0.2%	0.2%	0.2%	0.7%	0.0%	0.7%	0.0%
Interest on capital	0.0%	0.8%	0.0%	0.7%	0.0%	0.4%	0.0%	0.8%
Other Costs	2.0%	0.7%	1.9%	0.7%	1.1%	0.7%	1.7%	1.8%
Total Operating Costs	27.7%	41.0%	25.6%	42.6%	28.5%	38.2%	35.0%	42.6%

	RURAL CHARACTER (50:50) C.£8,000/week (ex. VAT)		TOWN/COUNTRY FOOD LED (30:70) c.£10,000/week (ex. VAT)		TOWN CENTRE PUB/BAR c.£10,000/week (ex. VAT)	
	Min OC	Max OC	Min OC	Max OC	Min OC	Max OC
Wages & Salaries	19.4%	22.0%	22.5%	25.4%	15.0%	22.2%
Rates	2.9%	3.0%	2.8%	2.0%	3.0%	2.9%
Utilities	2.9%	12.3%	2.8%	12.1%	2.3%	14.0%
Repairs & Renewals	1.2%	1.0%	1.3%	0.5%	1.1%	0.9%
Insurance	0.5%	0.5%	0.5%	0.3%	0.5%	0.8%
Marketing/Promotion/Telephone	0.7%	1.4%	0.8%	0.9%	1.0%	1.2%
Consumables	0.9%	1.6%	0.7%	1.3%	0.7%	1.3%
Waste Disposal/Cleaning/Hygiene	0.6%	0.6%	0.6%	0.9%	0.6%	1.9%
Professional fees	0.8%	0.0%	0.6%	0.0%	0.6%	0.0%
Bank charges	0.7%	0.7%	0.7%	0.5%	0.6%	0.9%
Equipment Hire etc	0.7%	0.2%	0.7%	0.1%	0.5%	0.3%
Interest on capital	0.0%	0.2%	0.0%	0.2%	0.0%	0.4%
Other Costs	1.3%	0.5%	1.2%	0.4%	1.1%	0.4%
Total Operating Costs	32.5%	44.1%	35.0%	44.6%	26.8%	47.2%

Figures show minimum and maximum total costs for a specific pub account reported in each category. Figures are presented exclusive of VAT.

Machine income, manager's salary, income from room hire and entertainment/satellite television are NOT included in the above model – extra income/cost lines must be added if these will form part of your pub business. Rates are not necessarily subject to applicable reliefs – check with your pub company/brewery as to what discounts may be available.

Annex B

Useful links

British Beer & Pub Association (BBPA)	www.beerandpub.com
Industry Framework Code v6	www.beerandpub.com/ifc
British Institute of Innkeeping	www.bii.org
Pub Governing Body	www.thepubgoverningbody.co.uk
Association of Licensed Multiple Retailers (ALMR) benchmarking	www.almr.org.uk/publications

For queries relating to this report, please contact:

Jim Cathcart
Policy Manager – Pub Operations
British Beer & Pub Association
Brewers' Hall
Aldermanbury Square
London EC2V 7HR

jcathcart@beerandpub.com

020 7627 9144