



HM Revenue  
& Customs

Valuation  
Office

Rating Lists 2026

# Valuation of Public Houses

Licensed Property  
Guidance Note



# Foreword

The aim of the 2026 Licensed Property Guidance Note is to assist professional valuers in achieving the accurate assessment of nearly 40,000 licensed properties for the purposes of establishing appropriate rateable values (RV). This being in accordance with the correct definition of rateable values as an estimate of the rent at the 1 April 2024 (the antecedent valuation date (AVD) for the 2026 rating list).

The Valuation Office (VO) met with industry bodies during the revaluation process and discussed the state of the market and the operating difficulties facing pubs. The various industry bodies were able to provide context, help shape overall tone and influence percentage bid ranges.

This guidance note has to reflect the 're-setting' of market values following the pandemic where pubs were closed and facing an uncertain future at the time of the previous 2023 revaluation at the 1 April 2021 (AVD).

The VO wish to thank the industry representatives as well as their professional rating advisors for their input in helping to frame this guidance note.

Rating Lists 2026

# Valuation of Public Houses

Licensed Property Guidance Note

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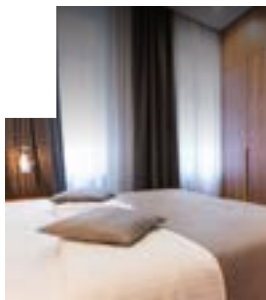
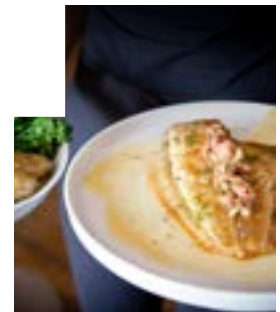
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# 1.1 Introduction

This Guidance Note (GN) is to support assessing public houses for rating purposes applies to the 2026 rating lists in England and Wales compiled on 1st April 2026. It is intended to be used by experienced licensed property valuers. There is more information for ratepayers about how pubs are valued for rating purposes on the VO blog and GOV.UK.

This GN is based on an analysis of actual rents paid in the market for public houses, and follows the methodology agreed in previous rating lists. The guidance on the rental percentage allows the valuer to consider the actual physical characteristics which may influence the cost pressures that a public house may face. It covers wider circumstances including where a floorspace approach may be appropriate and where the operator may be overtrading. As such, the GN can be applied to the vast majority of public houses. If in exceptional circumstances, it does not cover the full circumstances the valuer has the option to depart from this GN.



## 1.2 Basis of valuation

Each valuation should reflect the rental value of the public house at the valuation date of 1 April 2024, in line with the assumptions given in legislation, starting with Schedule 6 to the Local Government Finance Act 1988 (as amended).

This act suggests that the rateable value of a non-domestic hereditament “shall be taken to be an amount equal to the rent at which it is estimated the hereditament might reasonably be expected to let from year to year”. For composite property (which includes domestic parts), para 2(1A) defines this as the amount that “would reasonably be attributable to the non-domestic use of the property”.

With the AVD for the 2026 list being 1 April 2024, the hypothetical tenant, coming ‘fresh to the scene’ is looking to the future and will consider the operating environment for pubs when making their bid.

Rental evidence has been analysed by reference to a unit of comparison. In most cases the appropriate measure is turnover, although in certain circumstances where there is appropriate rental evidence, this may be by reference to floor area. Guidance on this can be found in Section 7.1.

Valuations should be undertaken by a competent valuer experienced in the licensed property sector. The valuation should not simply be an arithmetical calculation. Instead, the valuer should, have regard to the individual nature of each property, its location, trading style, market conditions at the AVD and the trade of competitors.

The first stage is to determine the Fair Maintainable Trade (FMT) of the property excluding VAT. The FMT represents the annual trade for any given property that is considered by valuers to be maintainable by a “reasonably efficient operator” (REO)<sup>1</sup> on 1 April 2024. This will be split between receipts for drinks (alcoholic & non-alcoholic), food, accommodation and other sales.

The FMT adopted should have regard to the physical nature of the property and its surrounding area as of the 1 April 2026 when the new rating lists come into force (or a later date following a material change of circumstances). It should reflect the assumption that the enterprise will be carried out by a REO responding to normal trading practices and competition in the locality. The actual trade will be the starting point to guide the valuer but may not in all cases be the best evidence of what is a reliable and sustainable level of FMT.

The second stage is for the valuer to decide the rental percentages to be applied to each income stream. The guidance in this note allows the valuer to reflect the location and the characteristics of the property, including the costs associated with achieving the FMT. The final RV is based on the sum of the values of each stream, plus any adjustments for the parts of the property not reflected in the FMT.

The valuer should always “stand back and look” at the final value to consider

<sup>1</sup> REO is the same as defined in the RICS GN Valuation of licensed leisure property (including public houses, bars, nightclubs and restaurants) 2<sup>nd</sup> edition (2025)

if it appears reasonable in comparison with other public houses. The Guide provides the scope to reflect the wide-ranging factors influencing the value of a pub that could be encountered. Therefore, a full consideration of all aspects which can affect this is essential to its proper application. Given the pandemic recovery since April 2021, valuers will need to take a fresh look at values for the 2026 rating list and be aware that previous comparisons between properties and areas may not be of assistance.

The 2026 Rating List will require a fresh look at values in the light of these changing circumstances and therefore comparisons between properties and localities in previous lists are not necessarily relevant.



# 2.1 Assessing Fair Maintainable Turnover (FMT)

The FMT adopted should represent the annual trade considered to be maintainable at the AVD, 1 April 2024.

As already stated, it is important that the valuer is regularly involved in the licensed property sector and has practical knowledge of the operational aspects affecting public houses within their locality. Such knowledge will aid in the analysis and review of historic and current trading performance and will assist the valuer forming an opinion of the FMT considered sustainable by the REO.

During the discussions with industry for this GN, it was recognised that pubs have faced increases in costs and that these costs may have outstripped increases in turnover. The effects of these cost pressures are reflected in the rental percentages given later in this guide.

The REO would be aware of the actual trade (unless a new property). The actual trade will therefore be the starting point for the valuation process.

When estimating the FMT at the AVD, the REO will consider the receipts for previous years and any trends those reveal. The receipts in the year closest to 1 April 2024 will be the most relevant, especially in the context of the recovery from COVID, but previous years receipts will provide useful information as well. The REO would also consider the economic circumstances and regulatory framework which are fixed at 1 April 2024.

Assessing FMT requires the careful consideration of actual trading performance compared with similar property types and styles of operation in the locality (such as trading hours) and a proper understanding of the trading potential of those property types and how they compare with one another.

The FMT chosen will reflect a range of factors that are inherent to the property. This could include location, design and character, level of adaption and trading history.

In assessing FMT, the valuer should consider if the actual trade is above or below that of the REO. This might include any income that is attributable solely to the personal circumstances, skill, expertise or brand name of a particular operator. Factors such as long-standing occupancy or popularity of a particular offer may give rise to levels of trade which might not be sustainable by a REO.

If it is obvious that the actual trade figures are either higher or lower than those achievable by the REO for that property in that location, the FMT adopted should be considered appropriate and sustainable by the REO.

Where one-off events cause a change in trade that will not be repeated in later years then valuers should consider if that trade is maintainable.

When applying this GN it should be noted that there will be circumstances where the type of offer of a specific property is significantly different from that normally associated with public houses. For example, a high proportion of the wet trade for one pub could be attributable to highly priced cocktails, spirits or wines. Such offers would not have formed part of the analysed evidence that informed this GN. The FMT to be adopted in these circumstances should be derived from the trade achieved by those pubs with a normal offer having regard to the differing physical and locational characteristics of the pubs concerned.

Further guidance on the treatment of potentially overtrading houses can be found at Section 7.2.

## 2.2 Factors to consider following the likely recovery since the global pandemic

In the 2023 valuation guide, to establish a reasonable FMT for the valuation period, a set of valuation adjustments on the closest full year of trading to the AVD were applied to exclude the covid-19 lockdown in March 2020.

Whilst these factors will no longer apply for the 2026 revaluation, from our discussions with industry we have heard that the sector recovery has been hampered in many cases by rising costs that have exceeded increases in turnover, putting severe pressure on industry margins and sustainable profits. For the 2026 revaluation, which has a AVD of 1 April 2024, these ongoing cost and trading pressures from global events such as war in Ukraine impacting energy costs and sustained high levels of inflation are all factors that must be reflected. There have also been increases in wage costs which is the pub sector's highest cost line. These realities are reflected within the application of this guide.

Industry have told us that public houses have absorbed many of the increased costs during the last several years in order to preserve as much consumer demand as possible. However, high inflation has increased the cost of food and drink resulting in turnover increases which are being undermined by unsustainable cost increases. In many cases, this has resulted in reduced trading hours as publicans look to reduce costs by closing on days which have lower footfall.

The hypothetical parties looking to rent a property are assumed to be agreeing a tenancy from year to year with a reasonable prospect of continuance. As such, they will not only take a view on the FMT immediately achievable at AVD but the FMT over a period of time ahead, given the ongoing and compounding cost pressures. The hypothetical parties will therefore anticipate the likely course of business, which could entail sustained low margins amid permanently higher cost bases.

With an AVD of 1 April 2024, all factors, economic and political will be considered by the REO when determining their rental bid for the property. A REO will factor this uncertainty and potential impacts into their decision-making when considering rental levels.

Given the realisation of these structural cost increases and in the absence of turnover not increasing at the same level, profitability will be compromised. To reflect this, the percentage ranges we derived based on our analysis of the market have been adjusted down further following extensive discussions with industry representatives to best reflect the realities of the sector in the valuation process.

These have taken into account the prolonged and meaningful cost increases in:

- Energy bills
- Food & drink – both food and drink inputs have seen record-high inflationary increases resulting in permanently higher cost-bases while artificially boosting turnover
- Staffing – staff shortages and increases in the National Living Wage have increased wage bills

## 3.0 Drinks sales

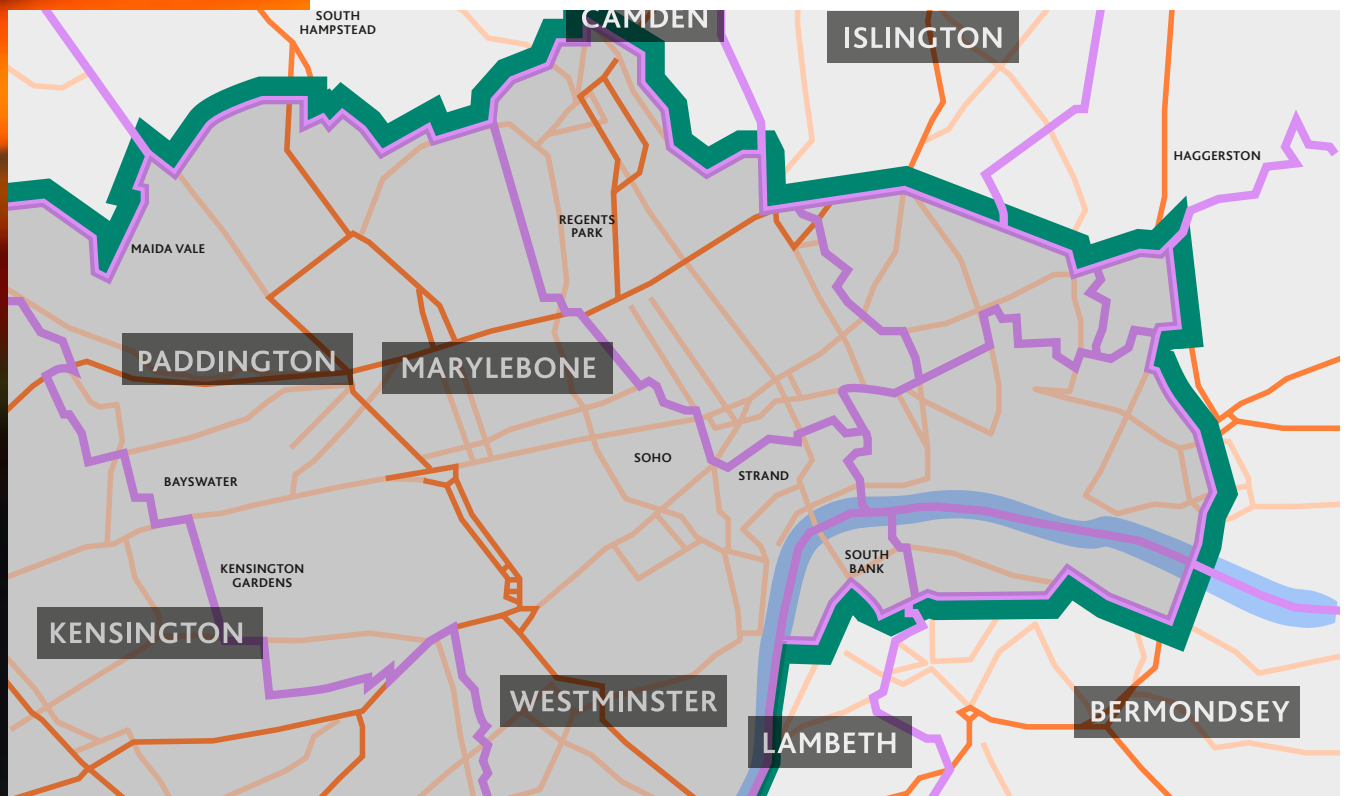
When assessing a pub for rating purposes, the initial stage should be to determine the FMT of the REO.

These will be valued on the basis of the annual drinks FMT, expressed in pounds, net of VAT.

The drinks or wet FMT will reflect receipts from all alcoholic drinks, soft drinks, minerals together with incidental bar sales such as crisps, nuts, etc. (including any of the details requested in question 7 (a) (i) of Notices VO 6010 and VO 6011).

The valuer should decide the percentage to apply from the ranges given in section 3.3, having considered the geographic area (section 3.2) and the category of public house (section 3.3).





## 3.1 Choice of Geographic Area

This GN provides percentage ranges for central London, outer London and regional England and Wales. The areas comprising central and outer London are not to be taken as having rigid boundaries on the ground. Valuers should take a reasoned view taking into account the type of operator, location, nature of the house, its surroundings and the style of trade. In marginal situations the position, the locality and the type of trade will not only influence the decision as to whether “central” or “outer” London or “regional” bands are appropriate but will also have a bearing on which band should be applied (see paragraph 3.2).

### Central London

Central London will generally include the following London council areas:

City of London

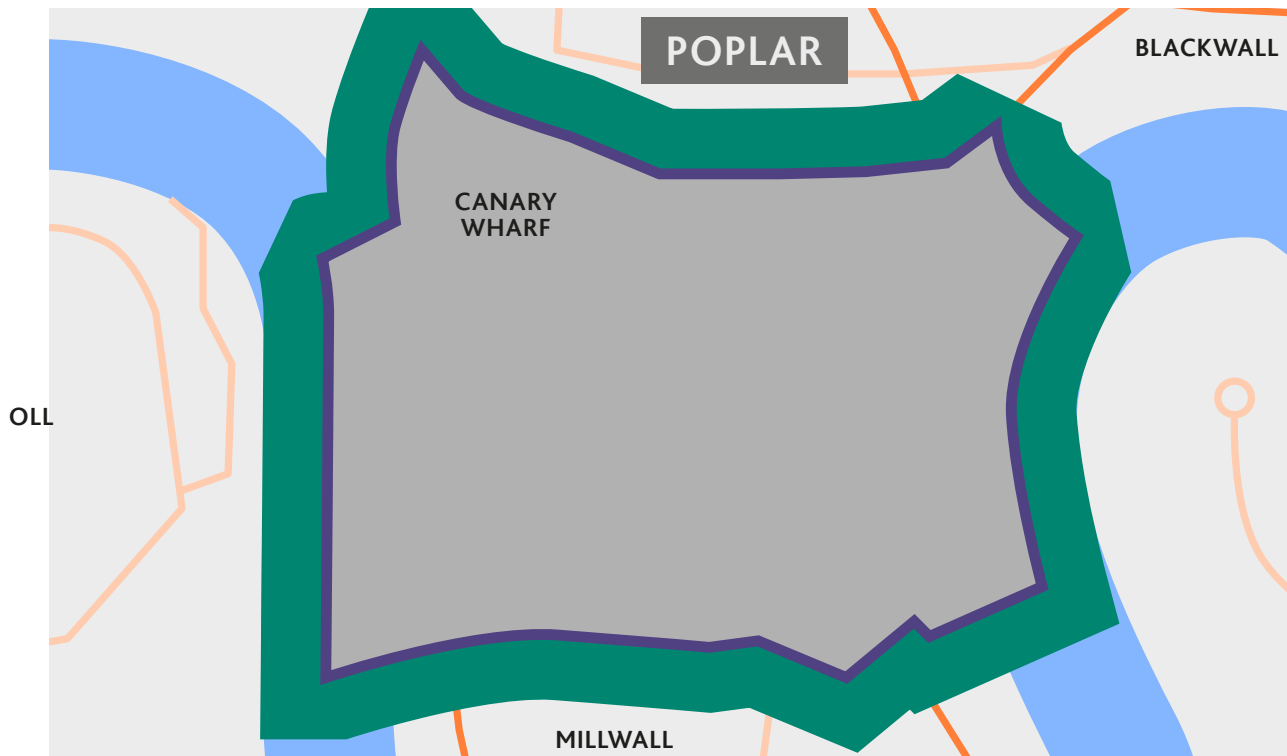
City of Westminster

Kensington & Chelsea Royal London Borough

Camden London Borough (part) – The southern part of the Borough as far Northwest as Albert Road, Princess Road, Gilbeys Yard, Castlehaven Road, Hawley Road and Kentish Town Road: to the North East as far as the A5202 St Pancras Way, A5202 Pancras Road, Goodsway, A5200 York Way and the boundary with Islington London Borough.

Islington London Borough (part) – The southern part of the Borough as far north as the A501 Pentonville Road.

Hackney London Borough (part) – The southern part of the Borough as far north as the A5201 Old Street.



## Southbank

Southwark London Borough (part) – The area south of the River Thames, bounded to the East by the A100 Bridge Road; to the South by the A200 St Thomas Street and Crucifix Lane, A3 Borough High Street, B300 The Cut, Union Street and Hercules Road; to the West by the boundary with Lambeth London Borough.

Lambeth London Borough (part) – The area west of the River Thames, bounded to the East by the Southwark London Borough, B300 (The Cut), Waterloo Road and York Road as far South as the A302 Westminster Bridge).

## Docklands/Canary Wharf

Tower Hamlets London Borough (part) – The area South of the A1203 Aspen Way (between West Ferry Road and the Blackwall Tunnels; as far South as Tiller Road, Pepper Street, Glengall Grove, Marshfield Street and New Union Road; to the East and West is the River Thames.

There will exist notable locations (e.g. St Katherine Dock and the area encompassing The Angel, Upper Street and The Green, Islington), which adjoin or are within close proximity to the central London geographical area above, that should have their drinks sales treated as though they are within this area.

For visual clarification of the central London area boundary, where it encompasses parts of a billing authority, please see the maps above.

## Outer London

Outer London (see figure B in appendices) will generally include the London councils and areas not included above as “central London”. It may be appropriate to value a property situated in the outer

London area by applying either the “central London” or “regional” bands.

## Regional England and Wales

These bands (see figure C in appendices) generally apply to all council areas in England and Wales, outside London. For houses located in the outer London boroughs and the adjoining “non-London” billing authorities a rigid boundary on the ground is inappropriate and valuers should take a reasoned view as to the appropriate set of valuation bands applicable to a particular house.

Public houses situated in the non-London council areas bordering on London boroughs (listed below) may be valued within the “outer London” bands, whilst houses situated within London boroughs in similar marginal locations can be correctly valued within the “regional” bands. In deciding whether a house should be valued as “outer London” or “regional” all relevant factors must be taken into account including its geographical position and the nature of the locality, property and trade.

“Outer London” bands may be applied to properties in the following non-London billing authorities in the appropriate circumstances. Some of these extend many miles from London and the valuation overlap at the boundary does not apply throughout the whole of these billing authority areas.

- Brentwood
- Broxbourne
- Dartford
- Elmbridge
- Epping
- Forest
- Epsom & Ewell
- Hertsmere
- Reigate and Banstead
- Runnymede
- Sevenoaks
- Slough
- South Bucks
- Spelthorne
- Tandridge
- Three Rivers
- Thurrock
- Watford
- Welwyn
- Hatfield



## 3.2 Choice of Category

### How to Determine the Appropriate Category

The following three categories are intended to provide valuers with the opportunity to reflect all factors which affect the value of a pub in the appropriate geographic area. The category choice is not influenced by the level of FMT, this is a separate consideration.

Where houses do not easily fall into one of these categories, the factors set out below can be interpolated to give a balance of advantage and disadvantage. This should enable the valuer to make a judgment as to which category to adopt and the balancing factors considered when making the choice of percentage within the relevant range.

The categories reflect the following key areas for consideration -

- Trading locality
- Physical characteristics of the house and the style of trade which is maintainable

Having determined the geographic area and category, the valuer will find a percentage range at section 3.3. The guidance in the categories below, on upper and lower levels within the range, will assist the valuer in deciding what point in that range to adopt.

### Category 1 - City and Town Centre Houses

This includes both circuit bars and traditional pubs situated in town and city centres or destination areas such as larger tourist centres and entertainment areas. They may either be food or wet led. They will be well invested, often but not exclusively trading under direct management with or without corporate branding.

#### Upper Levels

It is likely that those at the upper levels will include some or all of the following

- 
- Situated within the main pub circuit.
- Are likely to have strong trade at both lunchtime and evening sessions, and can capture further trading elements such as breakfasts, morning or afternoon coffee, or late-night trade.
- Good footfall related to nearby commercial elements such as retail, leisure or late-night venues
- The houses will usually be well planned, easy to maintain and staff, probably with an open plan bar area, but may have a separate purpose designed dining area.
- Modern, well designed, and purpose built; or older houses including conversions of high-quality construction retaining their character and fitted out / renovated to a high standard.

### Lower Levels

It is likely that those at the lower levels will include some or all of the following -

- Situated within the pub circuit but may be on the periphery or otherwise less visible to it.
- Although they are likely to have strong trade at both lunchtime and evening sessions, have more limited demand for trading elements such as breakfasts, morning or afternoon coffee, or late-night trade.
- Moderate levels of footfall due to some proximity to nearby commercial elements such as retail, leisure or late-night venues
- Older property of average or poorer design, layout and quality.
- Lower levels of profitability due to higher operating costs, (for example, repair liability or required staffing levels), and may include buildings that are listed, thatched, have a higher repair liability, excessive amounts of accommodation, higher energy costs, requiring higher staffing levels, promotion, and entertainment.
- Trade is achieved by higher expenditure on items such as entertainment than direct competitors.

## Category 2 - Destination Houses

Destination houses will draw trade from a wide area, due to the physical characteristics of the property or the locality. This could include prominent or attractive locations that draw custom from a wide area, good transport links that allow a strong trade from a wide area, and character properties. They will tend to stand alone. The full spectrum of free houses, managed and tenanted pubs can be included in this category.

### Upper Levels

It is likely that those at the upper levels of the percentage range will include some or all of the following -

- Prominent out of town or rural locations with little or no competition.
- Frequently in attractive locations (e.g. river frontage or with a view) or in close proximity to tourist or other leisure attractions.
- Specific locational advantage which acts as an attraction.
- These houses are likely to experience strong customer demand all year round.
- Modern houses, well designed and purpose built or older houses including conversions refurbished and refitted to a similar standard.
- Easy to maintain and staff, probably with an open plan bar area, but may have a separate purpose designed dining area.
- Substantial outside trading facilities that may include children's play areas with ample parking.

- Letting rooms may be provided as part of the original building, an extension or separate annex. Any letting rooms are likely to be of good quality with en-suite facilities.
- Rural houses will be character properties maintained to a high standard with good levels of amenity.

### Lower Levels

It is likely that those at the lower levels will include some or all of the following -

- Prominent out of town or rural locations but with strong competition.
- In locations without the draw of any particular attraction or appeal.
- Where there is strong customer demand but not necessarily at both lunchtime and evening sessions, seven days per week or all year round possibly due to seasonality.
- Older property of average or poorer design, layout.
- Properties with limited outside facilities and parking.
- Lower levels of profitability due to higher operating and maintenance costs including, for example buildings that are listed, thatched or with limited potential for physical adaptation, higher repair liability, excessive amounts of accommodation, higher energy costs, requiring higher staffing levels, promotion, and entertainment.
- Trade likely to be supported by discounting, promotions or expenditure on entertainment, incentives, advertising or requiring abnormal levels of door staff and security costs.
- Letting rooms may be provided as part of the original building, an extension or separate annex. Any letting rooms are likely to be of average quality including ensuite facilities although such facilities may also be on a room share arrangement.





## Category 3 – Urban fringe, Local and Rural Houses

This includes both bars and traditional pubs situated on the outskirts of town and city centres, and local pubs in more outlying and rural areas serving a residential or local community. They will not form part of a main pub circuit but may be on the fringes of one. These are likely to include pubs that would typically qualify as an “asset of community value”.

### Upper Levels

It is likely that those at the upper levels will include some or all of the following

- On the outskirts of town and city centres or in outlying commercial centres, or in stronger village locations.
- Good demand but will not necessarily be strong at both lunchtime and evening sessions, seven days per week or all year round possibly due to seasonality.
- In rural areas, have some scope to attract trade from nearby towns and cities, or may appeal to tourists.
- These pubs will have a good local following and play an active role in their local communities.
- May have a significant food offer, but also may prefer to ignore food to concentrate on other markets
- Located adjacent to major roads, or with some passing traffic, or with some attraction in the area.
- Only need to offer limited or no incentives (such as low profit food, event or team sponsorship, entertainment , subscription TV or any combination of these).
- Limited local competition from other houses, clubs and where price sensitivity is not a particular issue.

### Lower Levels

It is likely that those at the lower levels will include some or all of the following -

- Situated in poorer or more isolated trading positions in urban and rural areas, or in areas of large population but with strong local competition from other houses, clubs and where price sensitivity is a particular issue.
- Are likely to be predominantly wet led but may include a limited food offering which is supported by the local community.

- Need to offer significant incentives (such as low profit food, event or team sponsorship, entertainment, subscription TV or any combination of these).
- In locations with little passing traffic and no special attractions.
- In rural areas, these pubs will serve their local communities but have little scope to attract trade from nearby towns and cities, or appeal to tourists.
- Are likely to be older construction with little or no up-to-date alterations.
- In urban areas they may be functional in design, be multi-storey, of excessive size including multiple bars and function room.
- Running costs including building maintenance or staffing will probably be above average.
- With poor levels of amenity, including little or no outside area, facilities for smokers or car parking.
- These pubs may have a trade kitchen but will lack demand for food.
- Limited demand at lunchtime sessions, or earlier in the week. May choose not to open between sessions or on some days. May close or restrict operation at times of the year due to seasonality.
- They may be poorly laid out or functional in their design and possibly lack character.
- Will include bottom end non-core pubs held by multiple retailers.
- Trading at levels with little or no potential to increase trade, where lifestyle issues are a key reason why the business remains in use.
- Lower levels of profitability due to higher operating and maintenance costs, which may include, for example, buildings that are listed, thatched or with limited potential for physical adaptation, higher repair liability, excessive amounts of accommodation, higher energy costs, requiring higher staffing levels, promotion, and entertainment.

## 3.3 Percentage Ranges

These tables set out the percentage ranges within the wet trade at the change points as shown in the graphs in figures A – C in appendices.

### Central London

Turnover £	Category 1		Category 2		Category 3	
	Max	Min	Max	Min	Max	Min
0	-	-	4.00%	0.00%	4.00%	0.00%
190,000	7.50%	6.50%	7.00%	4.75%	6.50%	3.00%
375,000	9.75%	8.75%	9.50%	7.25%	8.75%	6.00%
625,000	11.25%	9.75%	11.00%	8.25%	9.75%	8.00%
875,000	11.50%	9.75%	11.25%	8.25%	9.75%	8.00%
1,075,000	11.75%	10.00%	11.50%	8.50%	10.00%	8.00%
1,075,000+	11.75%	10.00%	11.50%	8.50%	10.00%	8.00%

### Outer London

Turnover £	Category 1		Category 2		Category 3	
	Max	Min	Max	Min	Max	Min
0	-	-	3.75%	0.00%	4.00%	0.00%
190,000	6.75%	6.00%	6.25%	4.50%	6.00%	2.50%
375,000	9.00%	7.50%	8.50%	6.00%	7.50%	5.50%
625,000	10.50%	8.75%	10.25%	7.25%	8.75%	7.00%
875,000	10.75%	8.75%	10.50%	7.25%	8.75%	7.00%
1,075,000	11.00%	9.00%	10.75%	7.50%	9.00%	7.25%
1,075,000+	11.00%	9.00%	10.75%	7.50%	9.00%	7.25%

### Regional England and Wales

Turnover £	Category 1		Category 2		Category 3	
	Max	Min	Max	Min	Max	Min
0	-	-	4.00%	0.00%	4.00%	0.00%
190,000	6.50%	6.00%	6.50%	5.50%	6.25%	2.50%
375,000	8.50%	7.50%	8.25%	6.00%	7.50%	5.50%
625,000	10.00%	8.50%	9.75%	7.00%	8.50%	6.75%
875,000	10.25%	8.50%	10.00%	7.00%	8.50%	6.75%
1,075,000	10.50%	8.75%	10.25%	7.00%	8.75%	6.75%
1,075,000+	10.50%	8.75%	10.25%	7.00%	8.75%	6.75%

## 3.4 Choice of Percentage

When the appropriate category has been determined, the valuation will fall within the range of percentages in accordance with the above tables and as shown graphically in figures A – C in appendices.

The graphs and tables show a range of percentage values within each category at any level of FMT. The choice of the percentage to be applied to the total of the fair maintainable drinks trade for each individual house is a matter of judgment. This allows “fine tuning” of the valuation to reflect the operating style of the house, the operating costs required to maintain the particular type of trade being carried out and its profitability. The valuer should consider the guidance within the categories in section 3.2 on what factors point towards the upper and lower levels of the range.

Factors to be considered include the level of prices charged, staffing costs (taking into account the level and scope of services offered), maintenance, incentives, insurance, marketing and provision of entertainment in relation to the FMT adopted. For example, provision of subscription TV can be a significant outgoing for the operator but can have a marked effect on turnover. If it is established that the turnover would have been less but for the provision of subscription TV, then regard should be had to the additional costs involved in deciding the appropriate percentage to apply.



## 4.0 Food sales

These will be valued on the basis of the annual food sales or dry FMT expressed in pounds, net of VAT. The assessable trade will reflect receipts from the sale of all food (excluding incidental bar sales such as crisps, nuts etc), (i.e. the details requested in question 7 (a) (ii) of Notices VO 6010 and VO 6011).

A percentage of this total will be taken to reflect the rateable value attributable to the food trade. The appropriate percentage for each public house (throughout England and Wales including London) should be derived as follows.

There is a single food band to reflect the nature of the trading locality, the physical characteristics of the house and the style of trade which is maintainable. The position within the band will be determined by the ability of the house to conduct food trade and the style and profitability of the food operation.



# 4.1 Choice of Band

## Upper Levels

It is likely that those at the upper levels will include some or all of the following -

- Premium priced menu.
- Houses which have been purpose built or with well-planned facilities to maximise food income and making them efficient to run.
- Menus standardised across multiple outlets, and which are likely to be in place for extended periods (e.g. many months).

## Lower levels

It is likely that those at the lower levels will include some or all of the following –

- Standard value competitively priced food from a limited menu.
- Older property of average or poorer design, layout and quality.
- Lower levels of profitability due to higher operating costs, (e.g. repair liability, required staffing levels), and may include buildings that are listed, thatched or with limited potential for physical adaptation, higher repair liability, excessive amounts of accommodation, higher energy costs, requiring higher staffing levels, promotion and entertainment.
- Food freshly prepared on-site
- Food requiring highly skilled cooking or preparation.
- Highly individual menus, which change constantly as they are dependent on the available produce, which may include locally sourced produce.
- Snacks and sandwiches to encourage wet trade and sold at low profit.
- Food offered in accordance with licensing conditions.

Food levels below £45,000 pa are to be considered de minimis.

If the characteristics of a particular pub make the choice of an appropriate percentage unclear, the factors set out above can be used to give a balance of advantage and disadvantage. This should enable the valuer to make a judgment when making the choice of an appropriate percentage within the band.

## 4.2 Percentage Ranges

This table sets out the percentage ranges within the food bands at the change points as shown in the graph in figures E – F in appendices.

### Standard food scales

Turnover £	Max	Min
0 <sup>2</sup>	2.75%	-
45,000	2.75%	0.00%
85,000	3.50%	2.75%
175,000	4.50%	3.50%
350,000	6.00%	4.75%
500,000	6.25%	5.25%
650,000+	6.25%	5.50%

### High levels of food sales

Where the food FMT is £650,000 and above, and represents 55% or more of the total of drink and food FMT, the following scales will apply:

### High food scales

Turnover £	Max	Min
650,000	6.50%	5.00%
1,400,000	6.00%	5.25%
2,200,000	5.75%	4.75%
2,200,000+	5.75%	4.75%

<sup>2</sup> As per 4.1, food levels below £45,000 pa are to be considered de-minimis.

As per 5.1, the valuation of letting accommodation can refer to food percentage ranges and this part of the scale is provided for that purpose only"

## 4.3 Choice of Percentage

A valuation will fall within the range of percentages in accordance with the above table and as shown graphically in figure D in the appendices, unless the high food scales apply.

The graphs show a range of percentage values at any level of FMT within each band. The choice of the percentage to be applied to the total of the FMT for food trade for an individual house is a matter of judgment. Similar considerations apply here as are outlined in respect of the drinks trade. This allows for the “fine tuning” of the valuation to reflect the operation of the pub and the significance of the expenses required to maintain the particular type of trade being carried on as well as other matters, including the proportion of food receipts attributable to letting accommodation (where applicable and not valued separately, see section 5 below) and the type of catering operation.



# 5.0 Accommodation sales

These will be valued on the basis of the annual FMT in letting accommodation sales expressed in pounds, net of VAT. The assessable trade will reflect receipts from the sale of all letting accommodation (excluding meals), (i.e. the details requested in question 7 (a) (iii) of Notices VO 6010 and VO 6011).



## 5.1 Letting Bedrooms

For public houses where six or less bed spaces are available for letting purposes, the accommodation receipts generated by the lettings should be added to the calculation of the pubs FMT for food sales.

In cases where letting accommodation exceeds six bed spaces, an appropriate judgment for the correct rate percent to be applied to the fair maintainable turnover in accommodation sales will have to be made.

The appropriate percentage will be derived from the rate determined for the fair maintainable turnover in food sales (see above) plus an addition of from zero to 3%, depending on circumstances. In cases where the annual fair maintainable turnover in food does not exceed £350,000, accommodation (if qualifying for separate valuation) will be valued within the range of 6% to 9% according to the circumstances.

In considering the appropriate additional percentage, the valuer will have to take account of several factors. This includes whether the accommodation is an integral part of the main business or not, the type and class of the letting bedrooms, the number of bedrooms available, the level of trade, the proportion of accommodation trade as compared with the total trade of the business, the degree of occupancy and the probable profitability of the letting business (bearing in mind the cost of additional staffing, advertising and other factors attributable solely to the business of the letting accommodation).



## 5.2 Lodges

Lodge accommodation that is often co-located with public houses or pub-restaurants and may be in the same occupation. When separately occupied they are valued following the agreed scheme for hotels.

Where lodge accommodation adjoining or attached to a public house, the value for the lodge should follow the hotel approach and be added to the value of the public house. The rental percentage will be determined according to the amount of FMT per bedroom, irrespective of whether it is let for single, double or family occupancy. A standard lodge bedroom will be treated as one Double Bed Unit (DBU).

The rateable value of the lodge accommodation should be determined in accordance with the valuation scale set out below, which applies throughout England and Wales including London. This scale has been agreed for hotels as part of wider consultations with the appointed representatives of the hotel sector, led by the rating adviser to UK Hospitality.

For a modern purpose-built lodge/aparthotel, or good quality modern conversion, the top of the range should be adopted. The lower end of the scale can be adopted to reflect additional physical factors/original design constraints causing significantly higher maintenance and running costs.

Accommodation Receipts per DBU (£)	Percentage Range Applicable
38,000 & above	20.50% to 22.50%
34,000	20.50% to 22.50%
30,000	19.50% to 21.5%
26,000	18.50% to 20.50%
22,000	17.00% to 18.50%
18,000	15.00% to 17.00%
14,000	13.00% to 15.00%
10,000	11.00% to 13.00%

Intermediate points should be interpolated pro-rata.

Minimal other trade such as sales from vending machines within a lodge should not be valued separately and should be included with the accommodation trade. The total should be used to determine the scale point.

# 5.3 Interface between Hotels and Public Houses

In most cases there will be no problem in identifying public houses, inns and hotels. Where, however, the distinction is blurred it is important to identify the exact nature of the property and the likely occupier. Full advice is given in Appendix 1 of the Rating Manual entry for hotels.

If the property provides public rooms, room service and other facilities in addition to bedrooms, though it may have a significant licensed and restaurant trade, it is likely to be a hotel. It is on the other hand likely to be classified as a public house or inn if, whilst having letting rooms, it does not provide the services normally associated with a hotel.

The physical characteristics of the property, the nature of business being carried on and the most likely occupiers of the property if vacant must be identified. The following factors, whilst not exhaustive, may give some guidance:

- the class of the use classes order under which the property has planning permission
- the legal requirements such as Licensing Act 2003 and Hotel Proprietors Act 1956
- amount and relativity between the income streams for liquor trade, catering, accommodation and other
- physical factors such as separate entrance, reception, sitting rooms, dining room etc. provided for residential guests and segregated from bar areas and licensee, proprietor or manager's living accommodation
- arrangement of letting bedrooms, type and standard of accommodation
- whether bedrooms have en-suite facilities or bathrooms and toilets that are shared, and if so with other guests or staff
- level and type of services provided for residential guests
- the type of staff employed, for example receptionist or telephonist, housekeeper, chambermaid, cook, waiting staff, bar staff, night porter, etc.
- the history of occupation of the property and whether the occupier (or potential occupier) is likely to be a publican, innkeeper or restaurateur who sees the opportunity to increase profit by utilising spare accommodation for letting purposes, or a hotelier who sees the opportunity to increase profit by attracting non-residential restaurant and bar trade
- whether the property is run by a proprietor or managed on behalf of a company running a number of public houses, inns or hotels



## 6.0 Other receipts

Other receipts will include tobacco sales, admission charges, room hire and takings, video gaming and vending machines, ATMs, juke boxes, pool tables etc (covering any of the details requested in question 7 (a) (iv) of Notices VO 6010 and VO 6011).

There may also be additional sources of income such as admission charges for live music or entertainment, car boot sales or other 'markets', caravan lettings or fairs.

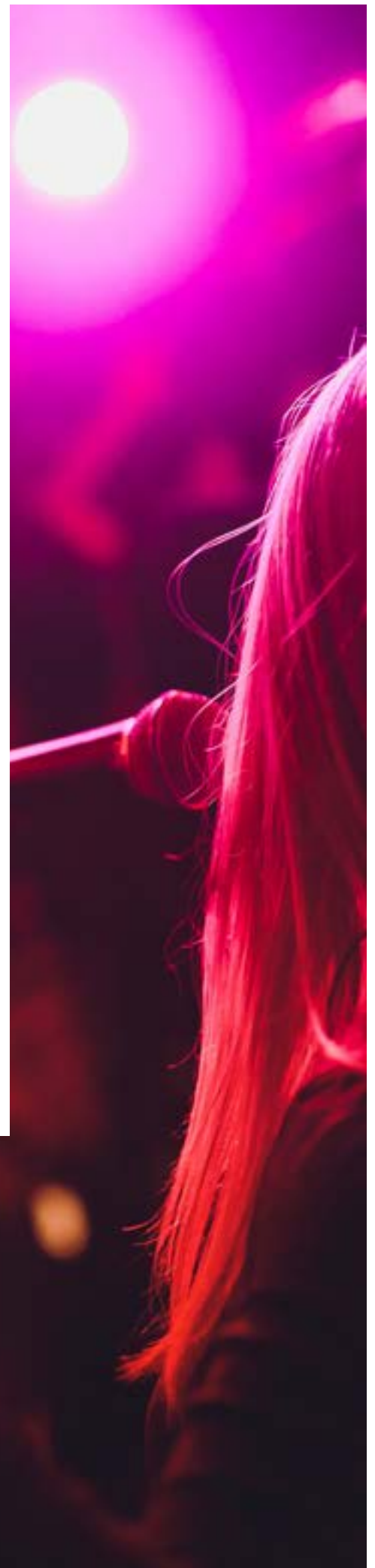
These receipts may not necessarily be profitable or add value.

The valuer should first consider if other receipts are maintainable at the AVD, or represent one-off events. If the latter, they may be excluded from FMT and not valued. If other receipts are regular and secure, the valuer should then consider if they are profitable, given the operational costs directly associated with them. For example, typical costs for live music or entertainment might include door security, marketing, DJ & artists fees and music royalty payments incurred in the provision of music or dance entertainment.

If other receipts are both maintainable and profitable, a rental percentage may be applied to the FMT of such activities, that considers the operational costs directly associated with them.

Receipts from lettings that are separately occupied and separately assessed for rating purposes are to be excluded. Examples where this may apply will include advertising hoardings, caravan sites and ATMs.

Other activities in the same occupation may need to be valued by comparison with similar uses. For example, shops or breweries may lead to a floorspace approach. In this situation, any FMT from those activities should be excluded, to avoid double-counting.



# 7.0 Other considerations

## 7.1 Bars and Public Houses - possible floor area approach

Some locations may have a distinct market that combines public houses and restaurants. This will tend to be modern units found together in major towns or cities, often co-located with restaurants or occupying sites close to, or on the edge of, the prime retail location. Alternatively, they may be located on retail parks or within in-town shopping centres.

If market evidence shows that rental values for public houses follow that of restaurants in the same location, a floor area comparative basis should be considered.

Where a distinct market can be identified, and the rents, when analysed, are consistent within the market such that a tone of value can be established on a floor area comparative basis, then this rental evidence should be used to derive the RV.



## 7.2 Potentially Over-Trading Public Houses

The approach described in section 2 of this GN requires the valuer to 'stand back and look' at the final value to consider if it appears reasonable in comparison with the assessments of comparable public houses.

The valuer should consider the assessments of similar styles of property in similar locations operated by different occupiers, valued on the receipts basis following disclosure of full trade information.

The valuer should consider all relevant characteristics of the house, such as its individual physical characteristics and size, the type and style of trade which is maintainable, its customer base and the nature of the trading locality, as opposed to making inappropriate comparisons based upon individual factors, such as turnover per m<sup>2</sup> or total RV. It is not sufficient to simply consider whether this is higher or the highest or lower or the lowest RV in a locality. The valuer should also consider if the differing trade simply reflects the imperfections of the market.

Where it can be clearly demonstrated that the initial valuation is patently out-of-line with other pubs, the approach outlined in 7.3 below should be adopted.



# 7.3 Approach to Potentially Over-Trading Public Houses

The structured approach below will enable valuers to consistently consider if overtrading is a factor.

## 7.3.1 Circumstances Where Applicable

Section 2.1 contains guidance on setting the FMT and any exclusions to be made to actual turnover figures. Any element of trade which is considered attached to the operator and which is not capable or expected to be replicated by the REO, this should be excluded from FMT. However, all the attributes of the property that may be causing the apparent difference in trade should be considered and caution should be exercised in simply considering that the experience of the actual occupier suggests overtrading is taking place.

The overriding factor which must be identified in all cases is the existence of a demonstrably different level of either trade or offer or both at the property compared to the typical range evident in the locality. The demographics of the customer base will have a major part to play in the range of offers encountered. The circumstances of the subject property must therefore “stand apart” from its competition and the actual turnover achieved must immediately cause the valuer to stop and reflect as to reasons why, on a first look, it appears significantly higher than that achieved in any other local comparable properties.

The market embraces a range of performances that are considered within the normal expectation and adjustments should not be made unless the subject performance is clearly outside of this range. For example, a property with an offer within the typical range, but a particularly advantageous location, may appear to be out-performing others in the vicinity. The fact that the offer is not out of the ordinary helps the valuer conclude that the performance is driven by the locational advantage, which is an attribute of the property which should correctly be reflected in its rateable value, and no adjustment is required.

This guidance cannot predict every example of how over-trading is being achieved, but it might take the form of an all-embracing and continuous low pricing policy or, at the other extreme, it may present itself as a select high-priced non-standardised operation.

While overtrading may be caused by the exceptional personality or ability of the operator relative to the local market, often driven by years of experience and knowledge of their pub, the valuer should bear in mind that the operator in the market for a larger and more complex property will not be the same as the operator for a simpler property and so evidence of the greater experience or skill of the actual operator may in fact be the REO for that property. If multiple operators could bring similar abilities and achieve a similar trade, then that represents the level of the REO.

Therefore, the fact that a particular operator has been at the property for an extended period of time does not necessarily lead to the conclusion that there must be an element of over-trading.

### 7.3.2 Requirements Before Applying Guidance

It is important for the valuer to have a thorough knowledge of the trading performances and relative physical and locational characteristics of the public houses in the vicinity of the property under consideration before applying this guidance.

The valuer must be satisfied that all comparables being considered have been valued based on full trading information. Where this is not the case the Valuation Officer must firstly take action to remedy this situation.

### 7.3.3 Factors to be Considered

The factors that need to be considered will vary dependent upon the trading environment in which the subject property is located. Whilst not exhaustive, the following scenarios might be encountered.

#### 7.3.3.1 Type A: Primary Licensed Trade Areas - Generally City Centres and Major Conurbations, but not exclusively

In a location where the major operators are well-represented and consequently the market is very competitive with a number of quality comparable properties present, the following should be considered where high trading public houses are encountered.

In cases of potential over-trading in respect of wet trade, a valuer should first calculate the amount of trade which is considered to be in excess of normal expectation. In some cases, there may be a need to discount the actual turnover in respect of this amount in order to arrive at the FMT. This will be where it is considered that this element of trade is likely not to be sustainable if the operator were to change.

To help inform the valuer, regard should be had to the occurrence of similar (but not necessarily identical) turnovers at other public houses in the same location as the subject. Where the level of turnover is replicated by others then no discounting will be necessary. If a significant difference is exhibited, bearing in mind the accepted vagaries of the market, then there may be justification for discounting the drinks turnover by up to 25%. The valuer needs to carefully consider all facts that may point to an exceptional difference which is not solely attributable to the superiority of location and physical attributes of the property in question. Judgments will need to be made to cover intervening circumstances justifying between 0% and 25%.

The food trade should be considered in its own right, relative to typical expectations, having regard to the physical attributes of the subject property (i.e. whether or not it is a style of property that would typically attract a food led trade). It may justify a similar or greater adjustment than that applicable to the wet trade. A maximum adjustment of up to 10% higher than that applied to the wet turnover may be appropriate in exceptional circumstances.

#### 7.3.3.2 Type B: Secondary Licensed Trade Areas - Generally Market Towns and outlying Commercial Centres, but not exclusively

Locations considered here are where there is less competition from major operators or the level of trade or trading profile of the property under

review is atypical, particularly in respect of the proportion of total turnover achieved through food sales, due regard having been given to its physical characteristics.

On reviewing the performances exhibited by the comparable houses in the vicinity adjustments to both the drinks and food trade may prove justified. The level of adjustment could be as high as 50% on both drinks and food turnovers, but these are expected to be the exceptional cases. Intermediate positions between no adjustment at all and these figures will need to be judged based on the particular circumstances encountered.

#### 7.3.3.3 Type C: Superior to Competition

Where there is no directly comparable competition in a locality and the subject property does not fit into the “unique” category described at 7.3.4 (below), consideration needs to be given to an extended level of adjustment. The subject property is likely to be a new opening that is different in style, character and size to existing public houses in the locality.

In itself, just because a pub is trading well, has a higher turnover per m<sup>2</sup> than similar houses elsewhere, or it has a higher or the highest RV in a locality, does not inevitably lead to the conclusion that the property is over-trading.

Where the evidence clearly demonstrates that the actual trading levels should be adjusted, all factors must be considered in determining the level of FMT for the property. It is important to avoid the creation of an artificial level of turnover and assessments for such properties. Each decision must be based upon all the facts pertinent to that particular pub. A comparison made solely on the basis of the appropriate FMT determined for one pub, which differs from the actual trade, cannot be used to support the derivation of FMT at another pub without taking all relevant facts, as they relate to the pub in question, into account.

Maximum adjustments of both wet and dry turnovers of up to 60% may be adopted in exceptional circumstances. Again, intermediate positions between no adjustment at all and these figures will need to be judged based on the particular circumstances encountered.

#### 7.3.3.4 Type D: Single Trader Locations - for example housing estate or rural

Where a new operator has taken on an existing public house in a single trader location which historically has not traded particularly well, careful consideration of any increase in the trading outcome as a result of the change in operator is required. Examples of such houses will include the only pub in the middle of a housing estate, in the countryside or perhaps a roadside destination venue. It is likely that the new operator will have invested significantly in improving and re-launching the property, so the starting point of any valuation must be the actual level of turnover that they have been achieving. In then determining if any potential over-trading is manifest, similar considerations and adjustments to those detailed at Type B above will be applicable here.

### 7.3.4 Unique Properties

Throughout, the valuer must bear in mind that a property that is either or both uniquely placed and enjoys a particularly attractive physical character, is likely inherently to achieve a much higher level of turnover than any other property in the vicinity. It is important to establish that, having regard to the size and nature of the customer base in the locality, no element of the performance is solely attributed to the particular offer of the current operator. In such circumstances where over-trading is not manifest, no adjustment of the actual turnover when determining FMT is necessary.

An example of this is the Hamilton Hall adjoining Liverpool Street station in the City of London. This was the subject of the Lands Tribunal case *Wetherspoon v Day (VO) [2008] RA 129*. In his decision the President of the Tribunal affirmed that the Hamilton Hall was rightly referred to as being “uniquely placed’ in relation to the potential trade and having an ‘unrivalled position’”.

### 7.3.5 Approach to Consideration of Assessments

The starting point of any consideration under this guidance is the actual trade achieved at the subject property. Any adjustment of the actual trade needs to be justified relative to the trading level and profile of other public houses in the vicinity. Every factor should be considered - the individual physical characteristics and size of the house, the type and style of trade which is maintainable, its customer base and the nature of the trading locality. Additionally, the imperfections of the market should not be overlooked.

It is not expected that a “tone” of adjustment will become established as each property, subject to this approach, should be looked at on its own merits based on the particular local considerations. However, in the absence of adequate local comparables, consideration of parallel situations elsewhere may prove of assistance. Reasoned judgements will need to be made to establish where in the range any particular property should properly fit.

Given the scope for adjustment contained within this guidance it is not anticipated that any situation will fall outside of its parameters.

It must be stressed that the GN requires valuation by reference to the FMT of the property under consideration. It does not refer to valuation by reference to any physical measure such as floor space and accordingly it is inappropriate to attempt to determine comparability of one property with another by direct reference to an analysis of rateable values in terms of such a measure.

## 7.4 Public Houses opened post AVD

Where there is no trade history, it will be necessary to look at the turnovers of houses of similar size and physical characteristics, in similar trading localities and with similar styles of trade and customer base. In primary licensed trade areas where the house is competing with similar houses this will include others within the vicinity; in areas where competing houses are of different physical characteristics, often much smaller traditional houses, it will be necessary to go further afield. Comparison of trade should only be made with houses that have been valued on the receipts basis where full trade information has been disclosed.

If the FMT is based on evidence of comparable houses determined in accordance with this GN, there should be no need to consider any further adjustment at the “stand back and look stage”. Where post-AVD trade is known, the movement of turnover of comparable properties and general market movements since AVD will assist the valuer to decide the reasonableness of the adopted FMT.

It is inappropriate to estimate the FMT for a large modern pub, either newly constructed, converted or a refurbishment, by reference to the trade achieved by older, smaller traditional pubs in the locality and making an arbitrary uplift.



## 7.5 Public Houses with a poor trading history

In considering the circumstances at the compiled list date in cases where a new operator has invested in a public house that has had a chequered history due to its location, and previous operators have over a period experienced difficulties or even closed the pub, the general principles of valuation should still be applied. Where there has been no substantial material change of circumstances (MCC) altering the character of the locality, the FMT should still be determined having regard to any available past trading and the expectation of the REO that would be envisaged. This would also reflect any improvements undertaken. An individual or company's track record of making a success of such pubs, where others have failed, based on its style of operation should be ignored.

It may well be that the actual trading figures in the future exceed or fall short of the estimated FMT, perhaps significantly, but this will not be grounds to increase (or decrease) an assessment based upon valuer judgment.

If an MCC occurs any change in assessment should be limited to the valuation effect of the specific MCC.

Where a public house has remained closed for trade over an extended period and there is insufficient trading history, the valuer should endeavour to fully establish the reason(s) for the closure and the prospects for reopening and carefully consider how this would inform the REO of likely trading levels having regard to the facts and circumstances of the subject property. It must be remembered that the economic circumstances will be those existing at the AVD.



## 7.6 Rural Public House diversification

In recent years rural public houses have come under pressure, often as a result of a combination of factors, which include declining and ageing population, decline in traditional rural occupations, low income in rural areas, changing social habits and lifestyles, increasing customer expectations, increasing regulatory demands and drink and drive legislation. The increase in residential property prices has also encouraged a change of use from rural public house to housing. To stay in business licensees have had to find ways to increase their income from other sources.

These efforts to sustain rural public houses, by diversification of the business, typically include the provision of Post Office, banking facilities or limited retail sales. This type of activity is often undertaken in circumstances where, without it, the pub might close. Although, in themselves, such schemes may not always generate a significant profit contribution to the business, they provide an important social facility to their community. In turn good licensees will hope the community and others will support the pub business and expand the customer base using the public house.

The traditional income streams associated with a public house, that is drinks, food and accommodation should be assessed in accordance with this Guide.

Income from other activities should be considered in terms of the section covering other receipts above. Whether such income should be reflected in the drinks percentage adopted, or valued separately, valuers should bear in mind that any profit generated is often likely to be low. Whilst it will probably be difficult to establish precisely what contribution these additional activities make to the profitability of the business as a whole, they rarely make a contribution to profit as a stand-alone business. It is important to remember that the position should be viewed from the perspective of the hypothetical tenancy, therefore costs (such as loan finance used to purchase the property) which may feature in the accounts of an owner-occupier will need to be removed from the equation.

\*For further information refer to [pubisthehub.org.uk](http://pubisthehub.org.uk)



# Appendices A

Figure A: Central London Drinks Sales Valuation Scales

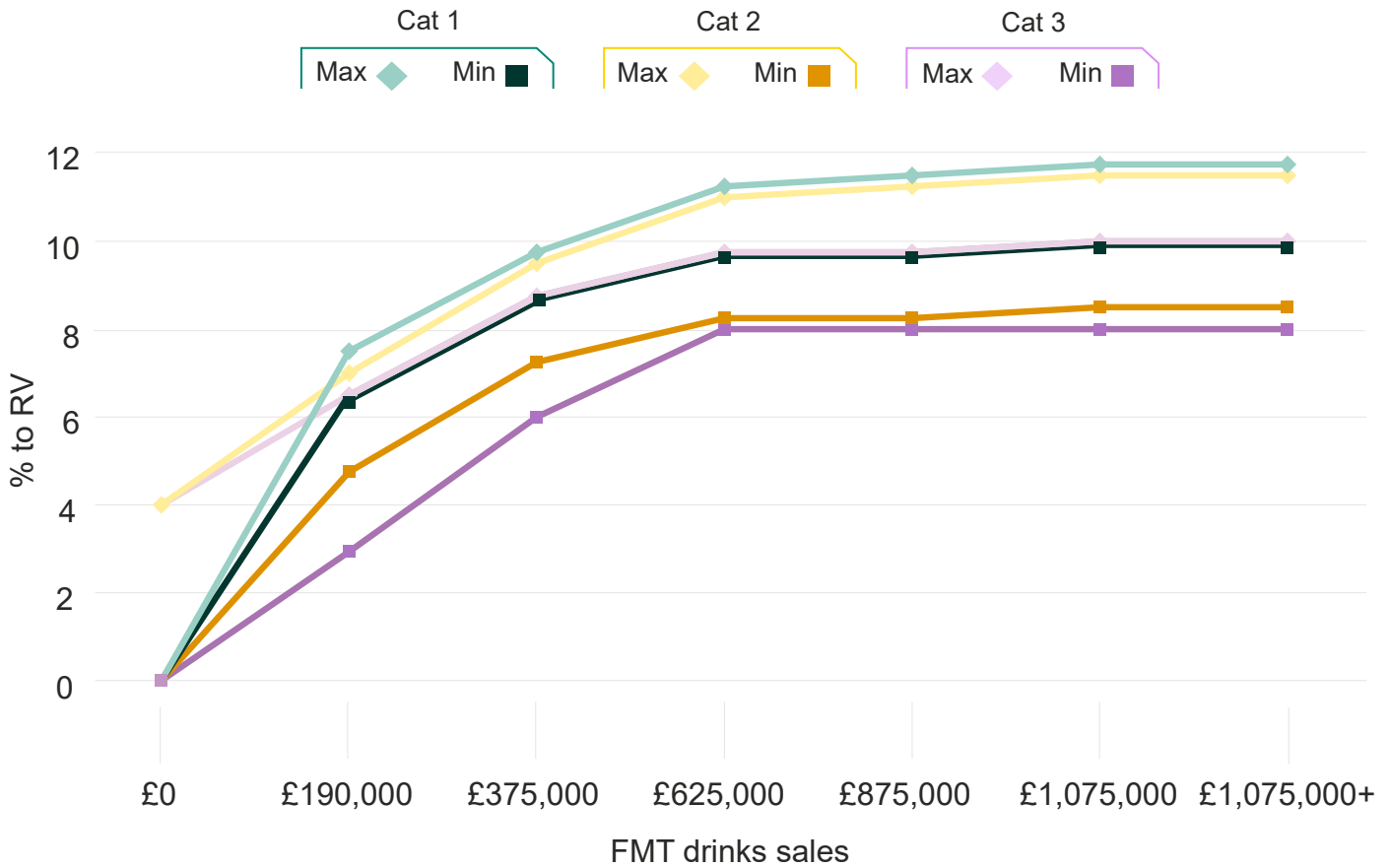
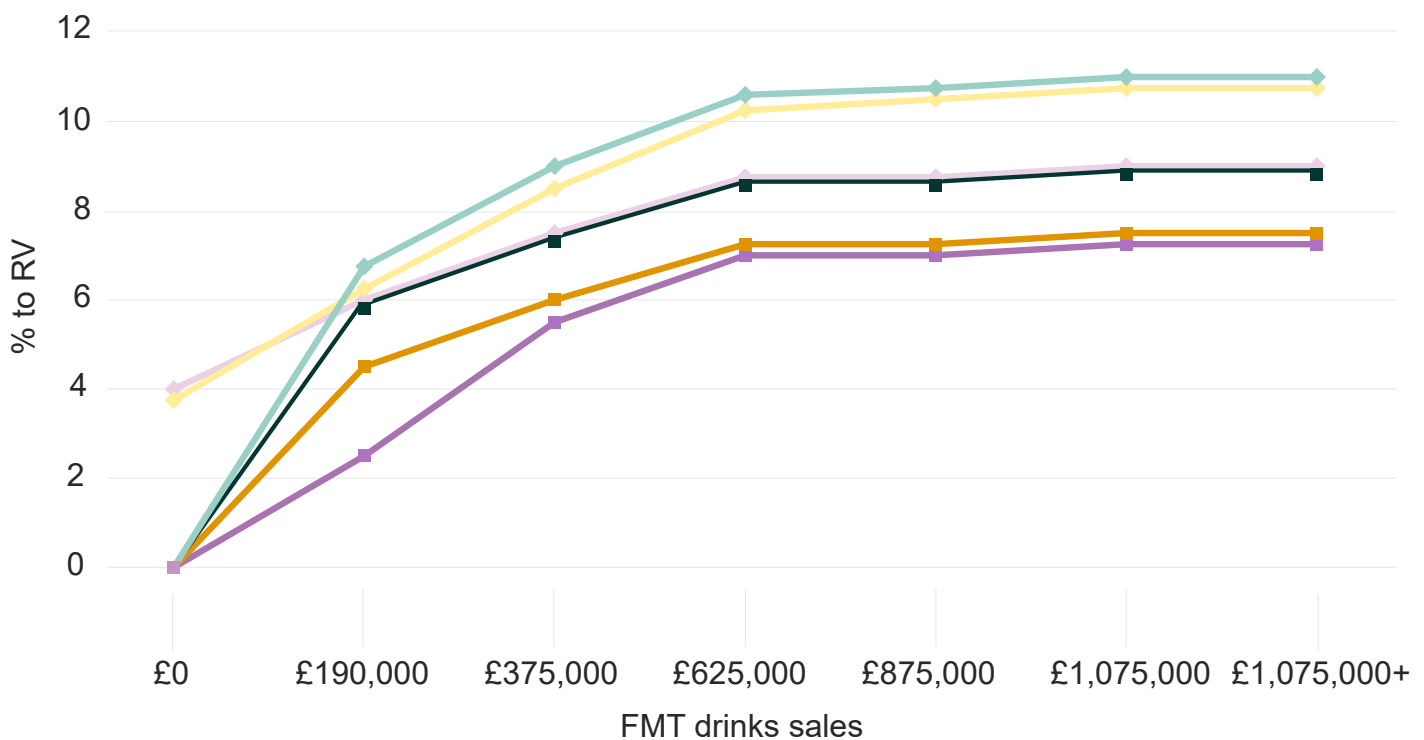


Figure B: Outer London Drinks Sales Valuation Scales



# Appendices B

Figure C: Regional England and Wales Drinks Sales Valuation Scales

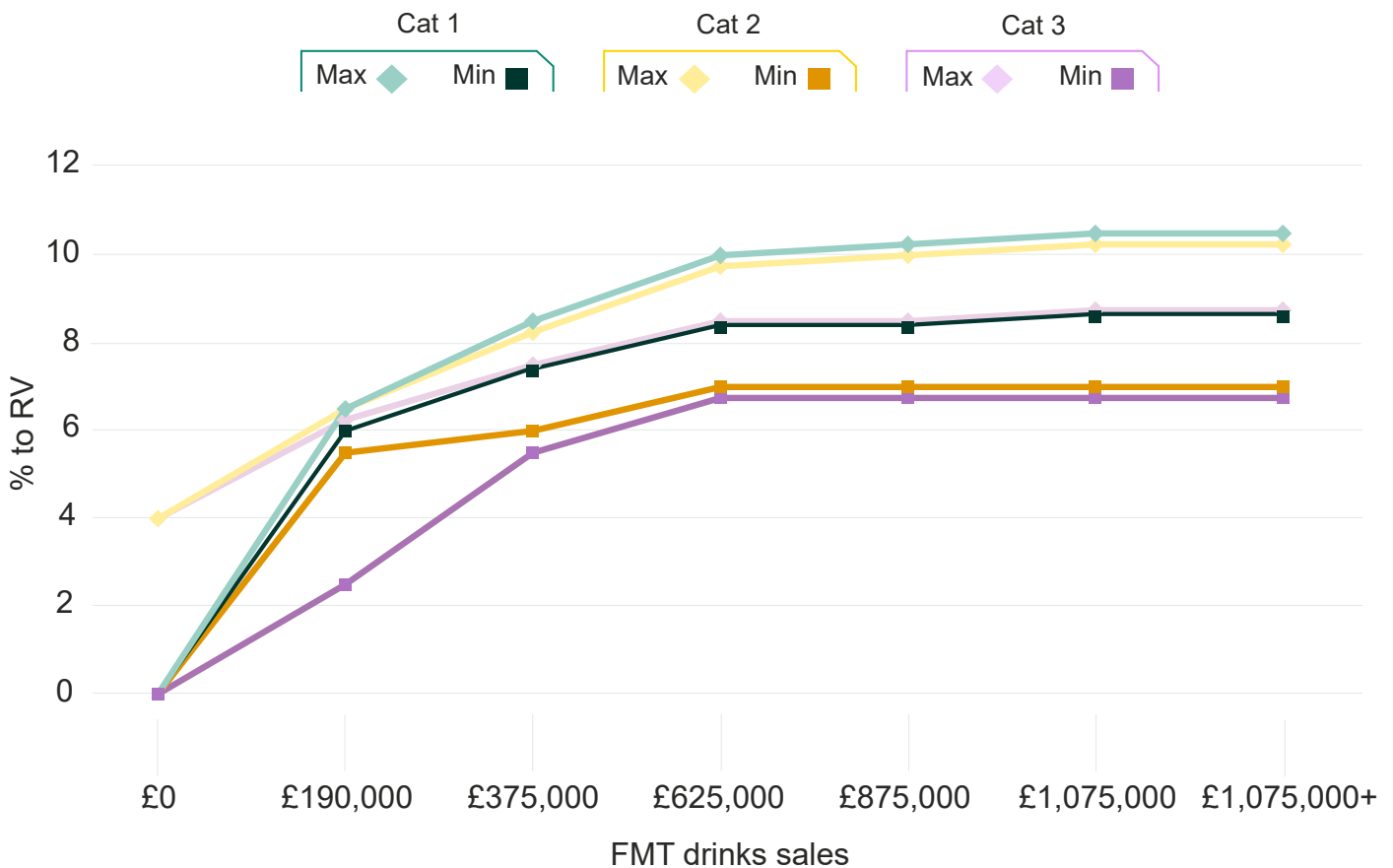


Figure D: Standard Food Scales



# Appendices C

Figure E: High Food Scales



Figure F: 2026 Accommodation

