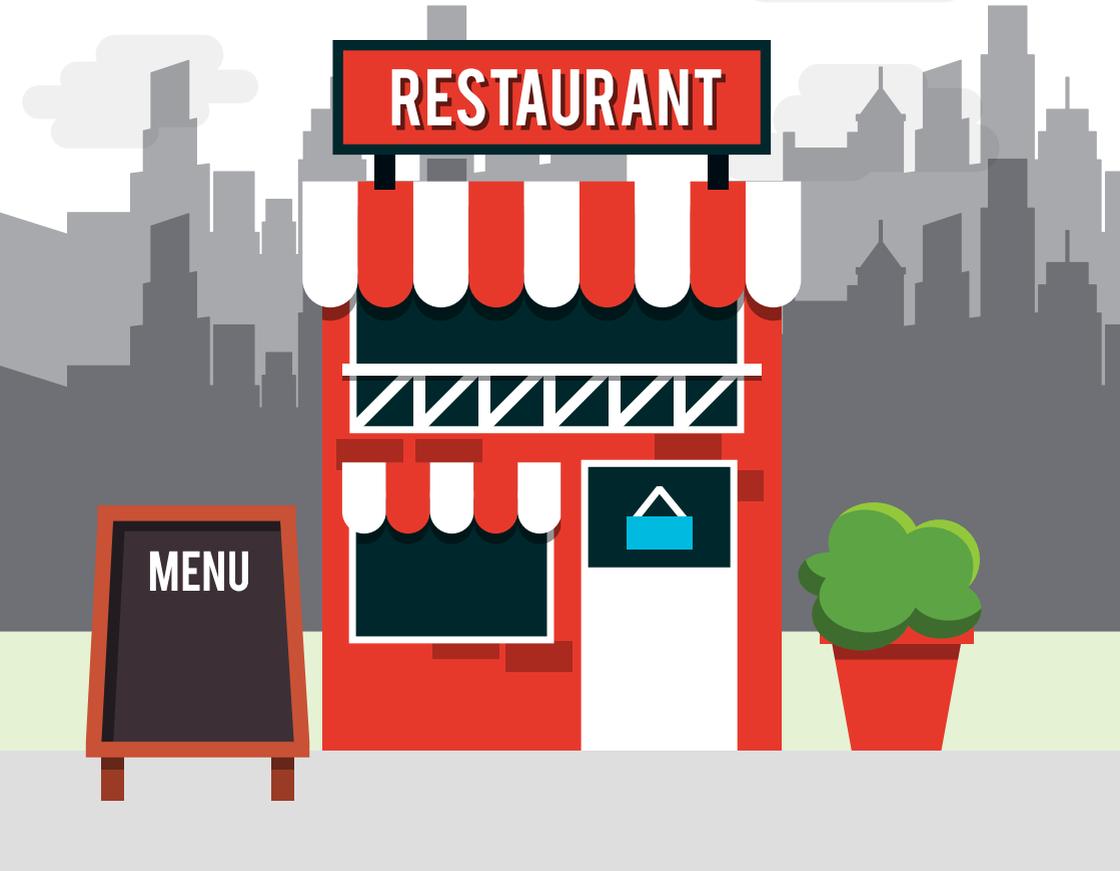


Found the perfect Venue?
Watch out for hidden costs.



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Business Rates

Operators can overlook rates because they instead focus on the rent they will be paying. Often (before any reliefs are taken into account) the business rates can be virtually an additional 50% of the rent the tenant is paying under their lease. Rates can be appealed and there are also several reliefs that can be obtained to reduce the rates liability. It is therefore important you fully understand this often complex system.

Landlord's fees

Under your lease, you are likely to be responsible for any costs the landlord incurs, in particular, relating to your requests for their consent to planning changes, alterations to the property, signage installation, or proposed underletting or assignment of the lease. These costs can also extend to the landlord's advisers including their lawyers, property agents and management surveyors.

Service charge and unexpected repairs

If you have not agreed a cap to your service charge payments you could get an unwelcome surprise if the landlord incurs a large expense such as repairing the accessway, roof or windows to the building your unit is in. Also, do not forget that you will be responsible for repairing your demised area and so you will need to budget for any costs in this regard should some unexpected repairs surface. Also, at the end of your lease you will usually be required to remove any works you have carried out to the property and make good any damage caused in doing so and to make sure the property is put back into the state you took it in.

Employee NI and other benefits

Don't forget if you employ staff you will need to cover any benefits and employer tax contributions, as well as sick pay and maternity leave and the additional cost of hiring replacement staff as and when required.

Marketing/brand development and loyalty.

A very important area of the business is marketing and brand development but also there can be hidden costs in rewarding loyalty, whether it be discounts or free items it is important that these are factored into your costs analysis.

Energy

Energy is the second highest controllable cost for a restaurant after labour. Equating to 6-8% of restaurant overheads, it is something which needs to be budgeted for accurately and managed effectively. Commercial energy is very different to domestic and needs time, thought and expertise to be purchased in the best way for your business.

Things to consider:

- **Cooking with gas or power?** Gas is cheaper, yet many restaurants prefer to cook with electricity. Is the site equipped for your needs? Looking for gas? Are the mains large enough, or even present? Is the electricity meter able to cope with your peak demands? If not, who would arrange the relevant upgrades? Most landlords will not cover this, it can cost tens of thousands and takes around 6 months. Energy infrastructure should be considered ideally before signing of a lease.
- **Operational hours:** When will you be open? When will the bulk of your energy be consumed (cooking & heating)? Remember, electricity can cost more in peak hours (6am-10pm).
- **Growth:** Are you looking at expansion over the coming years? Energy costs will increase rapidly, you will benefit from implementing a group purchasing strategy from the start.
- **Hidden clauses:** Many commercial energy contracts have volume tolerance clauses. If you under/over consume more than contracted, large penalties can be given.
- **Credit:** If you are starting up as a new limited company or sole trader credit with energy suppliers can be problematic. It is likely suppliers will request a security deposit (typically 3-6 months of your energy costs), or will inflate your rates to incorporate the extra risk. Some suppliers will not even take on restaurants as clients, purely due to them seeing the industry as too risky for them. Be sure to keep a contingency aside for a potential security deposit or slightly higher costs for your first year's energy contracts.

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