

## FOUND THE PERFECT RESTAURANT VENUE?

Watch out for hidden costs



# The Restaurant Consultant's step by step guide

## SERVICES & REPAIRS



### Business rates

Operators can overlook rates as they focus on the payable rent. Business rates can be an additional 50% of the rent the tenant is paying under their lease. Rates can be appealed and there are reliefs 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 responsible for any costs the landlord incurs, including consent to planning changes, alterations, signage installation, or proposed underletting or assignment of the lease. These costs can extend to the landlord's advisers including lawyers, property agents and management surveyors.



### Service charge

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.



### Repairs

You are responsible for repairing your demised area and so you will need to budget for any costs. At the end of your lease you usually need to remove any works to the property and put it back into the original state.



### Employee NI & Benefits

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

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

## ENERGY & CREDIT



### 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.



### Operational Hours

When will you be open? When will the bulk of your energy be consumed (cooking & heating)? Electricity costs more in peak hours (6am-10pm). Looking at expansion over the coming years? Energy costs will increase rapidly, you will benefit from a group purchasing strategy from the start. Many commercial energy contracts have volume tolerance clauses. If you under/over consume more than contracted, large penalties can be given.



### Cooking gas/power

Gas is cheaper, yet many restaurants prefer electricity. Is the site equipped? Are the mains present and large enough? Can the electricity meter cope with peak demands? If not, who would arrange upgrades? Most landlords will not cover this, costly and takes around 6 months. Consider energy infrastructure before signing of a lease.



### Credit

If starting as a new limited company or sole trader, credit with energy suppliers can be problematic. Suppliers can request a security deposit (3-6 months of energy costs), or will inflate your rates to incorporate the extra risk. Some suppliers will not take on restaurants as clients, due to industry risk. Keep a contingency aside for a potential security deposit or slightly higher costs for your first year's energy contracts.



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