

# hotels update

A hotel sector publication brought to you by Moore and Smalley Chartered Accountants and Business Advisors



## Is your hotel recession proof?



The UK economy has shrunk for the second successive quarter meaning that the country is now formally in recession. Many industries are being hit hard with record numbers of companies going into administration and liquidation. Some sectors are fairing better than others and the hotel sector is fortunately one of them. However, times are getting harder with many hoteliers reporting that advance bookings and projected occupancy levels are down for 2009.

This article looks at ways of improving your chances of surviving the recession by reducing costs, effectively managing cash flow and investing in marketing.

### Managing staffing levels and costs

For the majority of hotels the largest outgoing cost is wages. The introduction of the minimum wage and its annual uplift is one of the reasons that it has become increasingly difficult for hoteliers to control this expenditure. It is surprising how much can be saved every month by simply reducing every member of staff's working time by one or two hours per week. In many cases this is better than losing a member of staff completely

from the payroll as it allows greater staffing flexibility should occupancy levels rise quickly. It is also worth considering outsourcing some tasks such as running the payroll or stock taking where the work can be done more cost effectively by a specialist provider.

### Reducing overheads

By reviewing suppliers regularly and not simply renewing contracts, large cost savings can be made in areas such as insurance and energy. Please see the back page of this newsletter for ideas. There are a number of buying groups in the industry which enable hotel owners to obtain good discounts on a wide range of expenditure.

### Failing to plan is planning to fail

The majority of businesses that fold during a recession do so because of a lack of money. Poor or non-existent business planning and little to no control over cash flow are significant contributory factors to business failure. The management team should have a robust business plan in place, operate good accounting systems and know the hotel's break even point.

### Managing cash flow

At all times, but especially in times of recession, businesses should have cash flow projections to ensure they can survive the year. It is a bit of a cliché but "cash" really is king. A business can survive loss making periods but it can not survive without cash. Cash flow forecasts will show if there is a need to increase overdraft facilities or look at refinancing. It is wise to go to the bank to discuss financing in advance of needing the money with evidence to show how additional borrowings will be repaid.

### Marketing

There are enough potential guests to fill the rooms in your hotel but not enough to fill every hotel room in the country. Hoteliers need to do whatever they can to ensure that customers choose *their* hotel and not the hotel next door. Investment in effective marketing need not be costly and can attract more guests to your hotel. A key marketing area to consider is the hotel's website; review it objectively and refresh it regularly. Review competitor's websites to compare facilities and tariffs.

### What next?

Moore and Smalley are currently offering a free recession proof health check to hoteliers in the region. Should you wish to discuss anything you have read in this article or book a recession proof visit, contact a member of the hotels team.

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# Government lending package to support small businesses



The government has unveiled details of plans designed to provide SMEs with easier access to credit and to help with the cash flow problems afflicting many firms as the economic downturn deepens.

The support package will see the government guaranteeing up to 50 per cent of some £20 billion worth of bank loans to small businesses.

Other steps include special enterprise funds to boost smaller firms which are in urgent need of equity.

Announcing the measures, Lord Mandelson, the Business Secretary, said: "UK companies are the lifeblood of the economy and it is crucial that Government acts now to provide real help to support them through the downturn and see them emerge stronger on the other side.

"We know that some companies are struggling to secure the finance they need, not because of any failure in their business but due to the tougher credit conditions. That is why we have designed a package of measures addressing different forms of credit and providing real help for businesses."

Specifically, the package sets up a £10 billion Working Capital Scheme, securing up to £20 billion of short-term bank lending to companies with a turnover of up to £500 million.

The government said that the Working Capital Scheme is a direct response to the constraint on bank credit available for lending to ordinary-risk businesses. Under the Scheme's terms, the government will provide banks with guarantees covering 50 per cent of the risk on existing and new working capital portfolios worth up to £20 billion.

As well as guaranteeing working capital credit lines for companies, thus ensuring they will not be reduced or withdrawn, the scheme will free up capital which the banks, as a condition of the package, must use for new lending.

Barclays, HSBC, Lloyds TSB and RBS have declared an interest in the Working Capital Scheme, and the hope is that the first £1 billion guarantee tranche should be operational by 1 March.

Also part of the package is the Enterprise Finance Guarantee Scheme.

The Enterprise Finance Guarantee is intended to help smaller, credit-worthy companies which might otherwise fail to secure the funding needed for working capital or investment finance.

The government is to provide £1 billion of guarantees to support up to £1.3 billion of bank lending to firms with an annual turnover of up to £25 million, which are looking for loans of up to £1 million for a period of up to 10 years.

The guarantee will apply to loans and can also be used to convert existing overdrafts into loans so businesses can free up their current overdraft facilities to use as working capital.

The guarantee will be available through Barclays, Clydesdale/Yorkshire Bank, HBOS, HSBC, Lloyds TSB, RBS/Natwest and Northern Bank.

The final part of the package consists of a £75 million Capital for Enterprise Fund, of which £50 million will come from the government and £25 million from the banks (Barclays, HSBC, Lloyds TSB, and RBS).

The Fund, announced in the pre-Budget Report, has been increased from its original £50 million and will convert small business debt into equity.

Managed externally, the Fund will provide long-term capital to businesses which have exhausted traditional forms of finance. Firms can use this capital to invest in and develop their businesses.

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# Minimum wage, maximum enforcement



This is the firm message at the front of the Government's National Minimum Wage campaign launched in January 2009.

The campaign aims to raise awareness of the National Minimum Wage rates that came into effect from 1 October 2008, as well as the new obligations for employers under the Employment Act that are due to come into force in April 2009.

The key changes affect the way arrears are calculated and the Act will introduce new and instant penalties for any employer found not complying with paying the correct rates to their workers.

Campaign activity will include a targeted online display advertising campaign and direct mail to businesses including the hospitality and tourism sector.

## National Minimum Wage reminder

Age 22 and over :	£5.73 per hour
Age 18 to 21:	£4.77 per hour
Age 16 and 17:	£3.53 per hour
Accommodation offset	£31.22 per week (£4.46 per day)

## STATUTORY HOLIDAY ENTITLEMENT - CHANGES FROM APRIL 2009

From 1 April 2009 all employees are entitled to paid Statutory Holiday of 5.6 weeks per year. The entitlement is given from the date an employee starts work: there is no longer any minimum qualifying period of service.

Public holidays, such as Christmas Day and Spring Bank Holiday, are included within the 5.6 weeks entitlement. Employees are not

entitled to public holidays in addition to the 5.6 weeks statutory holiday.

The entitlement is due whether the employee is full time or part time, but it is pro-rated.

**If your holiday year runs from 1 January 2009 to 31 December 2009 then you will need to proportionally allocate holiday entitlement according to the new changes from 1 April 2009.**

Full details including a holiday entitlement ready reckoner are set out on our fact sheet, which is accessible from the payroll pages of [www.mooreandsmalley.co.uk](http://www.mooreandsmalley.co.uk)

## PAYE IN YEAR ELECTRONIC FILING – A REMINDER

### Employers with 50 or more employees

Compulsory 'in year' electronic filing will come into effect from 1 April 2009 for employers with 50 employees or over.

This means that all P45s and P46s must be filed online and employers will need to have the software to do this. Plans should now be well advanced to ensure that forms are HMRC compliant and can be filed online from April 2009.

### Employers with 49 or fewer employees

Employers with less than 50 employees (even those with only 1 or 2 employees) will have to file electronically from April 2010.

**If you would like to be relieved of the burden of running your own payroll and keeping up to date with the ever changing payroll and HR legislation contact Margaret Merrifield to find out about the benefits of outsourcing.**

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# Protect your business against soaring utility costs

**In times of economic difficulty, it is more important than ever to avoid unnecessary costs, and rising utility bills can represent a significant proportion of a firm's overheads.**

Conducting a utility audit might seem like a time consuming distraction but you could be pleasantly surprised by how much it adds to your bottom line. By understanding your utility services and implementing conservation habits, you can reduce energy waste and develop energy savings and solutions.

Don't get left in the cold! Use the checklist (below) to identify potential savings for your business:

**Make a member of staff responsible for checking all utility bills** – Make sure they know how the bills are calculated, what tariffs are available etc, and question any suspect charges;

**Carry out your own readings of all energy and water meters each month** – Use the information to plot patterns of use;

**Annually review the tariffs you use** – Not only do your usage patterns change, your suppliers also change the deals they offer;

**Shop around for cheaper electricity and/or gas suppliers** – Even as suppliers raise their prices, you could shave pounds off your bills;

**Monitor overnight energy usage** – Check if it is being used by essential equipment and if so that you have the best overnight tariff;

**Make the best use of cheap rate electricity** – If you can arrange usage by water heaters etc so that 15% of total electricity usage occurs during off peak hours, you might benefit from switching to a day/night tariff;

**If you are on a Maximum Demand tariff, review your supply capacity** – If your declared supply capacity is more than 15% higher than your highest Maximum Demand, contact your supplier to have it lowered;

**Find ways to reduce usage during peak hours** – Try rescheduling non-essential activities;

**If you are on a monthly tariff, check your power factor** – Check that you are not being penalised for a poor power factor;

**If your site has more than one gas meter, make sure they are aggregated**

**for billing purposes** – This can reduce both standing and unit charges and could lead to a better rate;

**Make sure your water meter is the right size** – Standing charges are calculated according to meter size – don't pay for an unnecessarily large one;

**Invest in energy efficient appliances and equipment** – Have you considered the enhanced capital allowances for energy-saving equipment? Contact us for more details of the allowances available to you.



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