



Leisure/Hospitality

Specialist Leisure & Hospitality Accountants

Newsletter

Spring 2016

Introduction

Welcome to our Spring 2016 leisure and hospitality newsletter.

Following the recent 2016 Budget, which the Chancellor delivered on the 16 March, we summarise the key changes and analyse the potential impact for the leisure and hospitality sector. In this newsletter we also look at the forthcoming increases to wage bills that the new National Living Wage will bring, outsourcing payroll matters and the growing need for a more consistent consumer brand experience (and how technology can help) in the sector.

In this issue we look at:

- 2016 Budget leisure and hospitality review
- The National Living Wage impact for the leisure and hospitality sector
- Important changes to Employment Allowance
- Is now a good time to outsource your payroll?
- The omnichannel trend – are you ready?
- Becoming more efficient in the leisure and hospitality sector

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.



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Hawsons are specialist leisure and hospitality accountants

Hawsons has a dedicated team of specialist leisure and hospitality accountants in Sheffield, Doncaster and Northampton. Our specialist team offers a wide range of services which are tailored to meet your individual needs. Our understanding of the issues faced by businesses in this dynamic sector means that we can proactively seek out ways for you to maximise your profitability and minimise your tax liabilities.

For more information on our leisure and hospitality expertise, including the services we offer and our experience, please visit: www.hawsons.co.uk/leisure

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2016 Budget leisure and hospitality review

On 16 March, the Chancellor delivered his first Budget of 2016. In this article we summarise the key points arising from the Budget and focus specifically on what the changes mean for the leisure and hospitality sector

2016 Budget leisure and hospitality impact

Scott Sanderson, Partner at Hawsons, commented: “Although the 2016 Budget brought some welcome news for the leisure and hospitality sector, particularly through the expansion of the business rate relief, reduction in corporation tax rates and the freezing of fuel duty, there were no major changes for the sector. Payroll costs and supplier costs are rising at a faster rate than ever before and with the apprenticeship levy, the new National Living Wage will only add to the pressures that auto enrolment and year-on-year National Minimum Wage increases have brought.”

“It was good news to see overall support for small business and entrepreneurs – in a Budget that the Chancellor coined ‘a Budget that backs small businesses’ – particularly as this can have a knock-on effect for the leisure and hospitality sector. The corporate hospitality market in the UK has continued on an upward trend as business confidence has slowly returned and is it vital that the government does all it can to keep confidence high and uncertainty low.”

Business rate relief for small businesses

The Chancellor announced a progressive approach to business rates, with the business rate relief for small businesses more than doubling from £6,000 to £15,000. This increase to the annual limit will exempt nearly thousands of small businesses, with 250,000 businesses paying less in business rates.

Scott added: “With the new National Living Wage just around the corner, this cut in business rates will give a major boost to businesses in all sectors. The expansion of the business rate relief will alleviate some of the pressures on leisure and hospitality businesses and will help cover some of the additional costs and is of course a welcome change.”

Freezing of fuel duty

The fuel duty freeze will be extended for another year, taking it to 6 years at the current rate at the end of 2016/17.

The freezing of fuel duty for yet another year is welcome news for the leisure and hospitality sector. Restaurants, pubs, hotels and wedding venues all rely on the delivery of goods in some capacity, so a frozen fuel duty should see delivery costs held.

Freezes in beer and cider duty – but rises in wine and spirit duty

Once again the Chancellor backed pubs across the sector with a freeze in beer and cider duty. Last year the Chancellor introduced a cut in beer and cider duty for the third time in a row. The planned rises in wine and spirit duty, however, were unwelcome surprises.

A sugar levy

In an effort to reduce obesity in the UK the Chancellor also announced a levy on the soft drinks industry, which will be introduced in two years' time (2018). We wait and see what the impact of this change will mean for the sector, but it could see increases in supplier prices and a likely fall in demand for such products.

The sugar tax also exempts milk-based drinks which is good news for the sector and good news for coffee shops. The exact details behind the sugar levy were not disclosed.

More information

Please get in touch with your local office specialist for more information and to book your free initial meeting.

You can find more leisure and hospitality analysis at <http://www.hawsons.co.uk/leisure-and-hospitality-2016-budget-review>

You can find more information on the 2016 Budget at www.hawsons.co.uk/guide-2016-budget

The National Living Wage impact for the leisure and hospitality sector

The new 'National Living Wage' – the minimum wage for those aged 25 and over from April 2016 – has been at the forefront of many business owners' minds since the announcement of its introduction in July 2015.

From its starting point of £7.20 per hour in April later this year (50p above the current National Minimum Wage), it is projected to rise to more than £9 per hour in 2020. The introduction of the new rate has left some business owners understandably concerned about what the future may hold, particularly those in labour intensive dependent sectors – including leisure and hospitality.

Leisure and hospitality impact

The leisure and hospitality sector performed well in 2015 on the backdrop of an improving marketplace and increasing consumer confidence. However, the impact of the new National Living Wage could slowdown that growth throughout 2016 as businesses look to overcome a significant rise in wage bills.

Richard Burkimsher, Partner at Hawsons, commented: "The new National Living Wage is likely to have a very big industry-wide impact on the leisure and hospitality sector. Hotels, restaurants and pubs all employ large numbers of staff working on the National Minimum Wage, so payroll costs are expected to rise considerably. The reality is that, along with the recent onset of auto enrolment, this is yet another financial burden that businesses within the sector will have to deal with."

The increase in wage bills across the leisure and hospitality sector will be bigger than any other sector, according to research from The Resolution Foundation (below). The research indicates that wage increases could be nearly six times more than the average across all sectors.

Estimated wage increases by sector by 2020 (Source: The Resolution Foundation)

Food Services	3.4%
Hotel and Accommodation	3.4%
All Sectors	0.6%

Share of employees affected by the National Living Wage by sector (Source: The Resolution Foundation)

	2016	2020
Food Services	43%	48%
Hotel and Accommodation	41%	46%
All Sectors	18%	23%



Richard added: "Even in the leisure and hospitality sector the impact of the National Living Wage will vary from business to business. Location and positioning in the market will be two of the key factors in determining the impact of the new rates on a specific business. For example, those restaurants in city centres – where competition is at an all-time high – may not be able to absorb the costs through increasing menu prices. Restaurants in rural areas of the country, however, will have more opportunities to raise menu prices."

"With consumer confidence back on the up some businesses may look to pass on the cost increases to customers, but operators cannot keep pushing prices up; the market is far too competitive for that. Ultimately, a lot of operators will have to absorb the additional costs themselves and find alternative means of cutting costs, such as achieving operational efficiencies – which we looked at in the last edition of this newsletter."

Your next steps

As experienced Chartered Accountants our dedicated sector teams are well-placed to advise and help businesses in preparing for the new National Living Wage. We also work closely with our in-house tax and payroll specialists to provide businesses with a comprehensive and fully integrated service to assist business managers and owners. **Please contact your local specialist.**

Important changes to Employment Allowance

The National Insurance Contributions (NIC) Employment Allowance was introduced on 6 April 2014. It is an annual allowance which is available to many employers and can be offset against their employer's NIC liability.

From 6 April 2016, the government will increase the NIC Employment Allowance from £2,000 to £3,000 a year.

To ensure that the NIC Employment Allowance is focussed on businesses and charities that support employment, from April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance.

As well as the changes to Employment Allowance on 6 April 2016, the new National Living Wage – the new minimum wage for those aged 25 and over – also comes into force). The new rates will have a big impact on wage bills, particularly for smaller businesses in the care, retail and hospitality sectors.

Announcing the changes to Employment Allowance in the recent 2015 Autumn Statement, the Chancellor said he recognised that the 50% increase in the Employment Allowance was intended to help address this issue of increasing wage bills.



Good news for small businesses

HM Treasury calculations estimate that up to 90,000 employers will see their employer NICs liability reduced to zero following the changes on 6 April 2016. The changes will help support those businesses in absorbing their additional wage costs. The increase will mean that businesses – including those in the leisure and hospitality sector - will be able to employ four workers full time on the new National Living Wage without paying any NIC.

For more information please contact your local specialist.

Is now a good time to outsource your payroll?

As the tax year draws to a close we ask: what actions could you take to make your life easier from 6 April, taking some of the stress out of running your business and giving you more free time on evenings and weekend? Outsourcing your payroll will not only likely save you time and money, but it's actually probably easier than you think too.

Once you have decided to switch, let us know and we will take care of the rest. It's as simple as that.

An accurate and efficient payroll service

Many small business owners are finding running their payroll an increasingly complex and time-consuming task, particularly as the compliance obligations on employers has never been greater! Whatever size of business you run, now is a good time to consider outsourcing your payroll.

At Hawsons we provide a friendly and personal service that is accurate and will save your company time and money. We have a dedicated team of experienced staff who will liaise with you or your staff to ensure the payroll is completed by the deadline and remaining compliant with the ever increasing rules and regulations. You can also be reassured that we will take care of your auto enrolment obligations and ensure your staff are paid accurately and on time.

Our team act for a large number of clients, ranging from small businesses with only 1 or 2 employees up to large business with more than 200 employees. Our aim is to replicate the benefits of an in-house payroll services, ensuring that:

- You will have the rigid benefits of an in-house payroll function i.e. flexible and responsive
- You can tailor our service to meet your specific needs and base our pricing structure accordingly, with no hidden costs!
- You will be provided with an integrated and fully comprehensive service
- You will have a dedicated personal contact that is readily available if issues arise
- We are not a bureau or call centre

Please get in touch with your local office specialist for more information and to book your free initial, no-obligation consultation.

The omnichannel trend – are you ready?



We have spoken in detail about the omnichannel retail trend in our Spring 2016 retail newsletter (which is available to download on our website) and the impact that it is having on the buying process and consumer journey. The trend towards omnichannel communications is perhaps greatest in the retail sector....but the same trend can also be seen in the leisure and hospitality sector.

As with the retail sector, consumers looking to book a table at a restaurant or stay the night at a hotel are informed and in control of the buying process; consumers can purchase what they want, when they want and on whatever device they want to do it on.

Living in an omnichannel world – some examples in the sector

Scott Sanderson, Partner at Hawsons, commented: “Using digital technology to create a unified consumer experience will be very important for hospitality operators over the coming years. This is what is meant by omnichannel communications – blurring the line between online and offline; digital and physical – creating one consistent consumer experience.”

“We live in a world where our mobile devices have become a big part of our lives and they are transforming almost everything we do. I think one of the biggest trends in the leisure and hospitality sector is towards a greater use of social media, both from the consumer and the business. Consumers are increasingly likely to share their perceptions and experience online, and the business needs to be prepared for dealing with any potential complaints that the consumer voices on social media. Social media is also becoming more of a selling platform for businesses – partially thanks to the launch of shopping functionalities like ‘book now’ buttons on Twitter and Facebook. This is particularly important for hotel operators and travel companies.”

“Click and collect and pre-ordering online or in an app are two ways where restaurants and pubs have seen some big benefits through omnichannel communications. Other things like QR code scanning to online reviews from a flyer, reserving a hotel in an app or booking a table online are quick and easy ways to provide consumers with a consistent consumer brand experience.”

“Technology has come a long way in recent years, making it possible for even the smallest of businesses to engage with their consumers across multiple channels, at multiple times, in a cost effective manner. I think businesses in the leisure and hospitality sector are now starting to get to grips with the complexities and opportunities that come with omnichannel communicating and it is good to see.”

Omnichannel hospitality challenges and opportunities

Although omnichannel communicating brings complexities for the sector, it can also open any number of new opportunities.

Scott added: “Omnichannel communications is all about improving consumer experience – delivering a more consistent, personalised brand experience – and with that comes opportunities for leisure and hospitality businesses. There are many examples where an integrated, unified experience has led to increases in sales, more frequent sales and a move back towards brand loyalty. With competition, regionally, nationally and internationally at an all-time-high, those businesses that do not embrace the omnichannel movement will likely very quickly fall behind.”

“Omnichannel does however also introduces a lot of complexities, in terms of operations, order fulfilment, increased costs, IT infrastructure and of course cyber security and fraud management. These are areas that you should definitely not overlook and you should seek advice on before embracing the omnichannel approach. We would be happy to help, so please get in touch for more information.”

You can contact Scott on ss@hawsons.co.uk or 0114 266 7141 or please contact your local office specialist

Becoming more energy efficient in the leisure and hospitality sector



There are numerous opportunities for businesses in the leisure and hospitality sector to reduce costs by becoming more energy efficient and more waste efficient. In this article we look at how businesses could reduce their energy bills, how much it might cost and why it is becoming increasingly more important.

Businesses are wasting thousands every year

Energy prices have continued on an upward trend in recent years; many operators know that they are spending too much on heating, lighting and other utilities. Food waste is also a big, but often overlooked cost. Did you know that on average a restaurant wastes 22 tonnes of food every year? When you consider the additional costs through disposing that waste, the business could be spending as much as £2,000 extra on landfill tax. The standard rate of landfill tax a business has to pay is £82.60 per tonne. There's big savings to be made.

Q&A with Martin Wilmott, Partner at Hawsons

Do many operators recognise how much they could save through becoming more efficient?

“Unlike a lot of businesses that shut down at the end of a working day, pubs and restaurants and, in particular, hotels, often need to work round the clock. Additionally, operators are understandably cautious about implementing energy efficient practices that may impact on a guest's experience. That doesn't mean efficiency practices can't exist though, as more and more operators are finding out.”

“In a sector where net profit margins are already generally quite low – and with the fast approaching National Living Wage and rising utility costs – operators are recognising that this is more important than ever before. Although energy costs may only be a small percentage of a hospitality firm's turnover, it is a cost that can be reduced, and reducing it can make a big different to the bottom line.”

What non-financial benefits might you see?

“Of course the financial, cost-saving aspects of implementing efficiency practices are critically important. But, they aren't they only benefits that a business might see. Becoming more energy efficient could help improve the firm's reputation and help to bring in new customers. This is something we have seen time and time again, particular in the leisure and hospitality sector.”

Where can businesses become more efficient?

“Heating, lighting, refrigeration, water and food wastage are just some of the key areas where pubs, restaurants and hotels can become more efficient.”

What examples are there of becoming more efficient?

“Simple things like LED lighting should really not be overlooked. You might be surprised to see such relatively minor solutions generate big savings, particular over a number of years. Other solutions such as better insulation of common areas or function rooms can bring much greater savings in a short space of time. Raising awareness and implementing small rules like turning off lights and closing refrigerator doors can also make a big difference. Staff training and awareness of these issues will be key to bringing down costs.”

How expensive are efficiency solutions?

“That really depends. LED lighting might cost a few hundred pounds (dependant on size) to implement, whereas eco-smart shower devices, biomass boilers or solar panels will cost a lot more. I would add to that, however, by saying that most energy solutions have to be seen as long-term investments. Energy efficiency projects may have high initial costs - depending on the level of implementation a business is thinking about - but deliver lasting savings.”

“There are also potentially significant tax savings available that must be taken into account. Items such as lighting and electrical systems now both qualify for Annual Investment Allowance, reducing your tax bills! I would stress, however, that the qualifying conditions can sometimes be quite tightly defined. You should always take advice in this area ahead of committing to the expenditure.”

For more information please contact your local office specialist.



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Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

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Find out more about how Hawsons can help your leisure & hospitality business.

Please call your local office or visit:

www.hawsons.co.uk/leisure



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