

Money makes the world go round

David Clifton, director of Clifton Davies Consultancy Limited, looks at recent trends in and alternative methods of financing pub and bar businesses

O You may have read recently that even though the peer to peer lending sector has experienced rapid growth so far this year, growing by an average annualised rate of 158%, 29% of respondents in Aviva's latest bi-annual SME Pulse survey of 1,500 SME businesses said they were unaware of alternative funding options open to them.

Commenting on funding from high street banks versus alternative funding schemes, Robert Ledger, head of small business at Aviva, says: "The first step is to understand what the finance is for. Decide whether it is to achieve growth or working capital, whether the business has security it can put down and whether the business needs investment and advice. Then look at which option best suits the business needs."

I raised the question of financing business growth with Steve Crosswell, relationship director in NatWest's hotel and leisure team, who identified such recent alternative sources of funding for leisure operators such as BrewDog's early and innovative Equity for Punks, Chilango's recent Burrito Bond and now Chapel Down's decision to become the first publicly quoted company to use crowdfunding.

Crosswell's personal view is that these new providers of finance offer a valuable service for early stage companies seeking seed funding to test a concept in an ever evolving marketplace, but that for more established businesses it was reassuring to read that 40% of respondents to the Aviva survey said that they still prefer to deal with their bank. When deciding on funding options, his advice is that one of the key considerations for the business should be what it is looking to achieve – in his words: "Is it fast access to cash or an ongoing relationship and sector focused support?"



I asked Crosswell what NatWest looks for when it is approached for funding. His answers are as follows:

- **An established track record is important – can management articulate their CV and business model to us?** We often spend a day in a client's business to better understand the mechanics of how it works. This isn't a 'bank meeting' – more us being part of that business, be it pouring pints, visiting suppliers or cleaning a hotel room.
- **Financial standing – does the business have a record of profit growth and cash generation?** These areas are vital as they will be our sources of repayment for any debt funding.
- **What does the future hold? Can management outline their vision for the future, what it means from a funding perspective and what that looks like in a financial model? If turnover is to grow by 11%, why? Robust and sensible assumptions are important.**
- **Finally, and this is something that can often be overlooked, regulation and compliance. Does the business have appropriate structures in place to manage HR and H&S? Are fire risk assessments completed?** These issues can materially impact the premises licence which is of paramount importance as any withdrawal or restrictions can have a detrimental effect on trade and financial performance. I will always ask my clients and potential clients how they address these areas.

What was good to read in the Aviva report was that SMEs are enjoying an improved economic outlook and that amongst those exhibiting the highest level of optimism were those in hospitality (restaurants, cafés or pubs), with 72% in that sector forecasting strong or improved growth during the remainder of this year. 🍺

Questions & Answers



Q: My bar can stay open to 2am on Saturday trading nights. What happens when British Summer Time ends on 26 October?

A: The clock goes back an hour at 2am in the early hours of the Sunday morning, meaning that it becomes 1am again! As a result you can stay open for another hour (unless your premises licence specifically prohibits this, so that's worth a check).

Q: A new block of flats has been built next to my pub and I'm now being inundated with complaints about alleged noise on my live music nights and by customers leaving afterwards. Surely these complaints can't be made because the owners knew my pub was here when they bought the flats?

A: The prevention of public nuisance is one of the licensing objectives under the licensing legislation and, as the law presently stands, I'm afraid the owners of the flats can make their complaints. In an 1879 Court of Appeal case, it was held that it is no defence that a plaintiff has "come to the nuisance". Let's hope that more councils adopt the common sense view taken by Bristol City Council which, with a view to minimising risks of noise complaints, recently granted planning permission for new flats opposite an established live music venue on condition that the flats were fitted with mechanical ventilation and permanently fixed-shut windows.

Q: I've been following what you've said about prosecutions for showing Sky Sports illegally in pubs. What's the latest?

A: The latest is that the level of fine seems to be increasing. There have now been 17 successful prosecutions (the most recent being in London, Manchester and Liverpool) leading to total fines and costs so far of more than £88,000 (with the single largest being £22,600 in respect of a pub in Doncaster).

Clifton Davies Consultancy Ltd



Clifton Davies Consultancy Limited is a consultancy business (not a law firm) which specialises in all licensing, gambling and regulatory issues affecting the pub and bar industry. David Clifton and Suzanne Davies are also consultants to Joelson Wilson LLP. The views expressed are given without any assumption of responsibility on their part. If you have any questions, do get in touch and they will be pleased to provide answers, either via this page or direct.

E-mail: dc@cliftondavies.com

sd@cliftondavies.com

Web: cliftondavies.com