

Bullet Proof Your Business How to manage in a difficult economic climate

With the UK economy experiencing a slow down, now is the time to prepare some simple strategies to help your business ride the economic storm. Simpkins Edwards held an evening seminar in May 2008 focusing on the key areas to consider to strengthen the position of your business in tougher times.

Brief notes from the seminar can be found below. For further information, please contact Simpkins Edwards at info@simpkinsedwards.co.uk.

NB: An overview of the factors affecting our current economic situation was provided by Kevin Butler, Bank of England (Barnstaple seminar) and David Fowler, Lloyds TSB (Okehampton seminar) and these are combined below.

Economic update

The UK has enjoyed a period of economic growth over the past 15 years, with low inflation, low and stable interest rates and low unemployment rates.

The economic situation is now becoming much more challenging. Although unemployment is still decreasing, inflation is rising and growth slowing. Household spending is being impacted by increasing food, fuel and energy bills, higher taxes and the rising costs of debt. Tougher lending conditions are constraining consumer credit and, with government spending also reined in, the restrictions on these two key areas will limit economic growth in the short term.

The credit crunch is a now-familiar term in the media. This originated in the USA due to the mis-selling of mortgages to high credit risk individuals (the so-called 'sub prime' market). As interest rates increased (from 1% in 2004 to 5% in 2006), arrears levels became substantial, leading to the collapse of funds available for institutional lending.

In the UK, warning signs were ignored during 2007, resulting in the first bank run in over 100 years at Northern Rock, with the Bank of England stepping in to provide an emergency loan.

Risks to the business

The risks to businesses can be sub-divided into specific threat areas:

Production risk:

- Technological change
- Operational issues (e.g. breakdowns, staffing)
- Fire, theft etc
- Weather (specific to farmers)
- Diseases and pests (specific to farmers)

Market risk:

- Price volatility
- Low returns
- Changing market requirements

Institutional risk:

- Changing support policy
- Increased regulation and red tape
- Taxation regime
- Labour legislation
- Public attitudes

Personal risk:

- Death, divorce, ill-health
- Satisfying multiple family member's objectives
- Management overstretch
- Human welfare

Financial risk:

- General health of the UK economy
- Interest rate, exchange rate and inflation levels
- Borrowings and cash flows

Business Management Strategies **Mary Jane Campbell, Partner, Simpkins Edwards**

Cashflow

- Business systems
- Business dynamics
- Regular monitoring

Accounting records

Reconcile accounts - bank, creditors, debtors, VAT, PAYE / wages.

Ensuring your records are reliable is a good housekeeping exercise, enabling you to monitor return on investment, judge whether you can meet your liabilities, identify fast stock / slow stock or service lines, and assess gross profit for all products and services.

It also allows you to look at your business plans strategically.

Management tools

Accounting software is a useful tool, providing a database of suppliers and customers, a time recording module, stock control tools and budgets / forecasting options.

Outsourcing is also an option - for example, Simpkins Edwards provides clients with regular management accounts.

Increase your profits

- Know the product, the market and your competitors
- Ensure your products are delivered on time, to specification and with a high level of service
- Put credit control procedures in place to avoid bad debts
- Know your overhead cost structure and identify any areas that can be reviewed
- Develop good relationships with your suppliers and check that you are getting the best deals available

How Simpkins Edwards can help

We offer a range of services for small businesses, designed to ease your administrative burden and ensure you are making the most out of your business management tools.

- Payroll service
- Identification of suitable software
- Training and implementation
- Regular book keeping / VAT / management accounts
- 'Fire brigade' services for the above

For more information, visit our website at www.simpkinsedwards.co.uk.

Tax planning opportunities

Jean-Paul Quartier, Corporate Tax Director, Simpkins Edwards

- Review business structure - incorporate / disincorporate
- Efficient income division - new rules postponed to 2009, take advantage now
- Tax Credits
- Cars – tax efficient ownership
- Entrepreneurs' Relief – pitfalls and planning opportunities
- Annual Investment Allowance – getting it right
- Capital Allowances on buildings – opportunities under new regime
- Green is good! Enhanced Capital Allowances and credits
- Small Plant and Machinery Pools – write off any small pools
- VAT – cash flow improvement and VAT accounting efficiencies

Planning your finances

Nigel Hemming, Director, Aquila Financial Management

Protection - basic family responsibility

- What will happen to the family / business if you die?
- What will happen to the family / business if you become ill?
- Have you made up to date wills?

Savings

Savings held in UK banks and building societies are protected by the Financial Services Compensation Scheme – up to £35,000 per Bank of England license (not per institution!).

ISAs represent a popular savings choice - good rates, accessible, from the age of 16 plus.

The five financial steps you should take:

1. Arrange life / income insurance
2. Build a rainy day cash fund
3. Pay off expensive debt
4. Set up ISA and pensions
5. Review your position

Pensions

Pension funds are investments. There is a great deal of flexibility in how they can be used. It is a myth that delaying taking your pension for as long as possible provides you with better value. Advice should be sought on annuities, income draw down and tax free lump sums. Pensions offer many opportunities; the key is effective planning and good advice!

For more information on any of the areas above, contact Simpkins Edwards on 01392 211233 or at info@simpkinsedwards.co.uk.