



the insider

Financing growth in the months ahead

Even by the most optimistic reading the UK economy still faces tough times ahead, and there are some who fear that when the present recession ends another might follow hard on its heels - a classic 'W' or 'double dip' recession. In any event, many experts are predicting an increased number of business failures in the coming months. Clearly businesses need to remain vigilant and adopt proactive financial strategies if they are not to become another statistic.

Businesses concerned about access to finance might consider looking at alternative financing strategies to ensure they are in a strong position not just to survive the months ahead, but also to invest in growth for when the upturn comes.

If you think invoice factoring might be a possible solution for you we recommend you discuss the matter with us first so we can help you determine the best course of action.



One possible option is invoice factoring. This involves an arrangement with a factor to advance you 80 per cent or more of the value of an invoice, usually one or two days after it is raised. The factor, who assumes control of your sales ledger, then collects the funds from your customer in return for a fee and payment of interest. Where less than 80 per cent of the invoice is advanced the remainder of the value of the invoice is then paid.

On the face of it this seems to be an attractive option, providing a quick boost to your cashflow in the short term and a smoothing out of the peaks and troughs over the longer term. You might even find that outsourcing your sales ledger in this way will free up more time for you to manage your business. An additional consideration is that because there are so many factoring companies fees are quite competitive.

However, there are also downsides to factoring, the most obvious being a reduction in your profit margin on each order fulfilment. It could also impact on your scope for other forms of borrowing because you will not be able to use your book debts as security. Then there is the question of a third party managing your sales ledger. Some factors might want to have a say in which customers you do business with, and there is also a risk that the way they handle your customers might damage your reputation. Most factors are sensitive to these issues, but even so you would be wise to choose an established and reputable company to work with.

Are you gifting the Government?



According to recent research, an astonishing four out of five individuals in the UK make no attempt to reduce their tax bill through tax planning - resulting in an estimated £10 billion paid in unnecessary taxes in 2009!

At a time when we are all being squeezed financially it makes good sense to check that we are not paying more tax than we need to.

Did you know, for example, that four and a half million workers have paid hundreds of millions in unnecessary tax because HMRC has assigned them the wrong tax codes through the PAYE system?

Besides correcting errors there are many other ways to reduce your tax payments through legitimate tax planning.

This is one of our core services - we specialise in helping our clients minimise their tax exposure. If you have not already done so we strongly encourage you to arrange a tax planning review with us well before the tax year ends.

You could be pleasantly surprised!

Mortgage problems for the self-employed and new business owners

Just coping or moving forward?

Business planning is one of our strengths and we would be happy to help you develop and implement a plan for taking advantage of the upturn. Why not call to discuss how we can help?

It's not just the data that needs protecting!

Late payment still a major concern

Social networking ...the hidden cost

The recent announcement by the FSA that it is planning to scrap self-certification mortgages could strike a blow to those who cannot easily prove their income such as the newly self-employed, freelancers, and some small business owners.

Although they once accounted for 23 per cent of the UK's prime residential home loans, in recent years self-cert mortgages have almost disappeared off the radar with just a handful of providers presently willing to consider them.

Even so, the announcement serves to highlight the difficulties faced by Britain's self-employed. With the impact of the recession and the longer term changes in employment patterns spurring growing numbers of self-employed and would-be entrepreneurs, this is likely to affect more and more people in the future.

The FSA says it is looking into ways in which the self-employed can prove their income, but in the meantime one thing is clear – self-employed people will need to be meticulous in their record keeping if they are to be in with a chance in the future. Do check with us if you have concerns in this area.

SMEs are much less prepared for the upturn than are larger businesses. According to recent research, over three quarters of SMEs are too busy dealing with the downturn to adequately prepare a way out of it, while nearly half of larger businesses have already started planning for growth once conditions improve.

In some ways, the downturn caught us unawares with three quarters of UK executives admitting to having been surprised by its speed and severity. As a result, many businesses have found themselves forced onto the back foot, responding with defensive coping measures rather than proactively implementing planned strategies.

But with the new year approaching and the prospect of improved economic conditions seemingly on the horizon, businesses should be making plans and readying themselves for the upturn. Failure to do so could leave you chasing your competitors rather than leading the field when the time comes to expand.

Businesses and individuals, including directors, are risking criminal sanctions by failing to comply with the Data Protection Act.

A recent survey by the British Standards Institute found that one in five companies had unwittingly breached the Act. More alarming was the finding that almost two thirds of companies did not think it necessary to train their staff in data protection!

Britain's small businesses are increasingly involved in handling personal data online, giving rise to more and more opportunities to fall foul of the regulations.

This is borne out by other research that suggests that over half of UK companies that trade online are in contravention of the Act.

With the Justice Department planning to introduce stiffer penalties next year, with possible jail sentences of up to two years and hefty fines being discussed, clearly business owners need to be sure they are fully familiar with and in full compliance with the Act.

A recent survey suggests that late payment is still the number one concern for small businesses. They are effectively impaled on the horns of a dilemma. If they do not act strongly there is a danger of continued delays in payment and the business effectively providing free credit to their customers, who it seems are usually larger companies. On the other hand if they put too much pressure on a customer, or even exercise their statutory right to charge interest, there is a danger of losing a potentially lucrative account.

There is no simple solution and although there is evidence that a stricter approach by small businesses is beginning to reduce the burden of late payment, at the end of the day each business must use its best judgement as to how best to proceed. Do contact us if you need help, in this area; we are always happy to advise.

There is much talk these days about businesses taking advantage of social networking sites such as Facebook and Twitter to build their brands, promote their products and services, and recruit staff; and there are certainly some success stories from businesses leveraging these media.

But there is another side to social networking that business owners should be aware of. According to a study by the IT services group Morse, UK employees spend on average 40 minutes a week of their work time on Facebook and Twitter, amounting to a total loss of productivity worth £1.38bn a year! Part of the problem seems to be a lack of guidelines, with three quarters of those surveyed saying they had not been issued with any.