

## From 6 May to 22 June

With the new Government starting its first 100 days in office, the half way milestone is the "Emergency Budget" which is scheduled for 22 June. As Government Ministers move from Opposition to Government and assume the reality of their portfolios we are evidencing some proposed changes that were not heralded during the General Election campaign.

The Government has agreed that tackling the deficit and public debt is a priority and has confirmed what we all know and that is that taxes will increase and expenditure reduce. While reducing public expenditure will have an impact on the cash flowing into the UK economy increasing taxes will have the opposite effect. Combined, the impact of these two measures must inevitably result in an increasingly challenging economy.

Officially, Government debt is currently approaching £900 billion and forecast (at the March Budget) to go to £1,400 in 2014/15. An examination of the books since the Election shows that debt may already be in excess of £2 trillion if liabilities for Private Finance Initiative and public pensions are included.

While there may be planning opportunities prior to the June Budget, there are almost certain to be changes in the Budget that will require us all to adjust our plans. If you wish to discuss any aspect of your planning, particularly regarding any capital gains tax planning, do please contact us.

## Lessons from the recession – think the unthinkable

If there is one thing we have all learnt from events of the last two years it is that change happens – often without warning, and sometimes with catastrophic consequences.

We have also seen how many businesses were blindsided by events for which they were to a greater or lesser extent unprepared. True, there is little an individual business can do about events such as those that brought about the credit squeeze and subsequent downturn, but we could perhaps have been more prepared for such eventualities.

Though no one can look into the future with certainty, we can, with the right tools, investigate possible scenarios, assess their likelihood and potential impact, and make contingency plans for their occurrence.

Such scenario planning is becoming increasingly important for businesses of all sizes for three main reasons:

1. It helps to reduce risks, which apart from the obvious benefits to your business, might also help to reduce insurance premiums and provide more leverage with lenders, investors, and suppliers
2. By identifying and monitoring key indicators of change, your business can be forewarned of impending developments and put appropriate measures in place in good time
3. In some instances being ahead of the game might enable you to transform into an opportunity what your competitors see only as a threat

Before the downturn, uncertainty played less of a part in business thinking and many businesses made decisions primarily based on what had happened in the past rather than what might happen in the future. That now seems a bit like driving a car by looking in the rear view mirror!

Today, businesses need to be looking ahead all the time. They must learn to anticipate outcomes that might seem unlikely if not impossible, because one thing we now know for sure – the unthinkable can happen!

Scenario planning is one of our core services and we would be happy to help and advise in this area. Contact us to discuss how we can help your business plan for an uncertain future.

## Outsourcing IT functions

Two things seem certain about IT:

1. It is becoming increasingly necessary for business survival, never mind growth
2. It is becoming increasingly complex

SMEs are finding more and more that maintaining a competitive



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edge, keeping costs down, reaching wider markets, improving customer service, and increasing efficiency and productivity all depend to some extent or other on embracing IT solutions.

And often these solutions involve the acquisition not only of new systems but also of new skills. Aside from the additional cost, for smaller businesses with an IT staff of just one or two, skilling up can also prove a challenge.

One increasingly popular route is to outsource various IT functions, which in some cases can be cheaper, provide more flexibility, offer greater security, and solve many issues related to back up and business continuity.

But before you consider such a move, we would encourage you to conduct an IT audit to identify and assess among other things:

- What risks there are in your present systems, and especially any single points of failure
- What redundancy and or overcapacity there is in your present systems
- The efficacy of any existing contracts, not just from the point of view of cost but also to what extent they allow for flexibility and growth
- Whether you have adequate business continuity strategies in place in the event of a disaster striking your business

On this basis you can then make a more informed decision about your future IT requirements. If possible future proof your system by planning at least three years ahead. Once you have a 'wish list' of proposed new systems or upgrades, we recommend you conduct a cost benefit analysis comparing purchasing, leasing and outsourcing options.

You may need to enlist professional help with this process, but it will almost certainly prove to be a worthwhile investment. Talk to us before you proceed. If we can't help we'll point you to someone who can.

## Reducing the cost of business finance

Despite reports that bank lending to small businesses is still failing to meet targets, there is increased demand for credit from small businesses seeking among other things to refinance existing loans and to fund a growing amount of takeover activity.

Whether your business is in either of these categories or you are seeking finance for other purposes such as to invest in new equipment or machinery, purchase property, upgrade technology, or maintain cashflow while a new product line kicks in, the fact is that the need for finance is a perennial concern for small businesses. And it is also becoming increasingly expensive.

Here are three tips for reducing the cost of finance:

**Plan ahead** - Quick money is usually expensive money. By planning your finance requirements well in advance, preferably up to a year ahead, you can prepare a robust application, shop around for the best source, and negotiate the most favourable terms. Indeed, the mere fact that you are planning your funding so far in advance will count in your favour and hopefully give you more leverage.

**Make the lender bid for your business** - Approach a number of sources with a well-prepared funding requirement and ask them to submit a proposal. These days, even banks are used to having to bid for your business. Use your track record to leverage a better deal on charges or the amount of collateral required.

**Ask for more than you need** - If you are too modest in your request fearing that to ask for more would reduce your chances of success, you risk having to return at a later date to ask for a top up, which will raise questions about the reliability of your business plan. It is also a lot more expensive to process two applications rather than one.

We can help you research and prepare requests for finance, and even conduct the negotiations for you. Contact us today to see how we can help you find cheaper finance.

## Are you managing for growth?

Recent research shows that owner-managers of small and medium sized businesses have doubled the amount of time they spend growing their businesses compared with six months ago.

On average, SME leaders spend almost a third of their working week exclusively focused on planning and delivering growth compared with just 13% of their time six months ago.

And there has been a corresponding drop in the amount of time they spend on administrative and 'non-essential' activities.

The results speak for themselves. Businesses where owners spend half their time or more 'at the helm' are 30% more likely to be experiencing growth than those whose bosses do not.

## Local heroes

Small business leaders elevated entrepreneurship to almost heroic proportions through the dedication and sacrifice they made to keep their businesses afloat during 2009.

According to a recent report by Hiscox:

- One in five SME bosses invested on average £17,000 of their own savings in their business last year
- Over a third cut their own salaries to reduce operating costs and improve cashflow, while only a tenth cut the salaries of their senior staff
- And a third increased their working hours by on average 12.5 hours a week, with one in ten working over 50 hours a week to keep their businesses afloat

And for many there was a personal cost as well:

- 38% have suffered from stress
- 24% had times when they were unable to sleep through worry
- 13% have seen their marriages suffer

Let's hope that this year will prove to be kinder and reward these business leaders for their commitment and sacrifice.

## Thinking of profiting from your hobby?

And as if to prove that the entrepreneurial spirit is far from dead, another survey recently revealed that 56% of owner-managers are considering starting a second business based on a hobby such as sports, crafts, or travel!