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BUSINESS NEWS

JUNE 2024

Welcome to the June edition of business news!
In this issue, we'll be bringing you more financial tips and useful updates.
To discuss any matters in more detail, please do get in touch and we'll be happy to help.

UNDERSTANDING ECONOMIC CHANGES:

HOW RECENT EVENTS AFFECT BUSINESS

Data releases in recent weeks from the Office of National Statistics (ONS) coupled with Bank of England decisions might make recent news about the economy seem a bit confusing. Understanding how this news affects businesses is important so let's break it down.

Growth in the economy

The latest reports show that the economy grew by 0.6% from January to March 2024, which is good news! It is a 0.9% increase from the previous quarter and means the recent recession seems to have reached its end – businesses generally are doing well. However, swings over a short period underscore the necessity for businesses to adapt swiftly to change.

Interest rates and prices

Despite hopes otherwise, the Bank of England decided not to change the official interest rate because of ongoing

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concerns over inflation. The Consumer Price Index (CPI) declined slightly from 3.4% in February to 3.2% in the 12 months to March 2024, but remains above the Bank's target of 2%. While inflation is falling, it has not fallen as quickly as hoped earlier in the year.
The delay in reducing the official rate has led to implications for borrowing costs, and this has been seen in the recent uptick in the prices of 2-year and 5-year fixed rate mortgages.

What this means for businesses

So, what does all this mean for businesses? Well, it's a bit of a mixed bag. The good news is that the economy is growing, which is generally good for businesses. But, because prices are still going up faster than the Bank of England would like, they're keeping interest rates the same. This may make borrowing money more expensive.

What businesses can do

With economic shifts like these, businesses need to stay resilient and agile. Here's a few things you can do:

- **Strategic financial planning:** Analysing finances, sales, and customer spending patterns can help you recognise trends. You can then work out what to do to head off potential risks or capitalise early on opportunities.

- **Keep your costs streamlined:** Make sure that you're getting value out of what you pay money out for. Cheapest isn't necessarily best and cutting costs by switching suppliers doesn't always make for good business, however it's often possible to identify areas to save some costs without interrupting your business.

- **Keep customers happy:** Make sure you're offering good value for money to your customers, so they keep coming back to you. You might look at whether products or services you offer could be enhanced to appeal to more customers. Perhaps a change in pricing strategy could win more customers or be more profitable (not necessarily the same thing!). Or, maybe an adjustment to your customer care might lead to a better experience that builds stronger loyalty.

While recent economic indicators paint a mixed picture, businesses can still thrive by being smart and staying prepared for whatever comes their way.

A strategic plan can help you to keep your business focused on clear objectives through periods of uncertainty. If you don't have one, or it's been some time since you last reviewed it, why not ask us about our tools for creating a strategic plan?

REPORT ON COMPANIES HOUSE PROGRESS RELEASED

The Economic Crime and Corporate Transparency Act 2023 brought in reforms to Companies House procedures and powers with the first phase applying from 4 March 2024.

The reforms will contribute to making the information held in the company register more reliable and usable, protecting individuals and businesses from fraud and preventing the misuse of UK companies by international money laundering networks.

The Department for Business and Trade has published a progress report on the implementation and oper-

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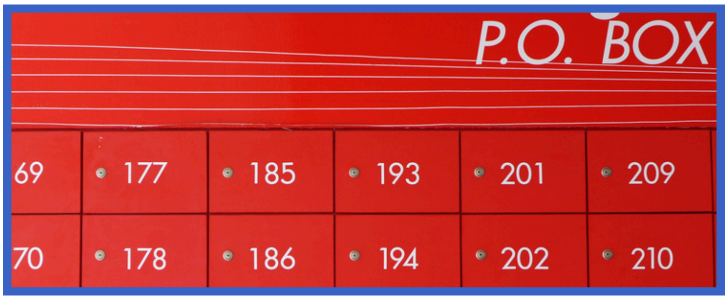
--ation of the Act and will continue to do so every 12 months until 2030.

The report notes that between 4 March and 1 April 2024, Companies House had:

- Removed 4,000 inappropriate registered office addresses.
- Removed 2,100 officer addresses and 2,300 people with significant control addresses.
- Redacted 3,600 incorporation documents to remove personal data used without consent.
- Removed 1,250 documents from the register, including 800 false mortgage satisfaction findings that would previously have required a court order to remove.
- Contacted 3,800 companies that have PO Boxes as their registered office address to make them aware these were no longer legally compliant and asking for an alternative appropriate address. By 1 April 2024, the number of companies using a PO box had been reduced to 1,900.



Companies House have made further changes to the way companies are set up so that it is much harder to make anonymous filings and discourage those who try to hide company ownership through nominees or opaque corporate structures.

To read the report in full, see: https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-act-2023-progress-report

If you need any help with registering company information, please feel free to contact us and we would be happy to help you!

A REMINDER OF THE SERVICES THAT WE OFFER TO BUSINESSES

AUDIT

AUTO-ENROLMENT

BOOKKEEPING

BUSINESS PLANNING

START-UP ADVICE

COMPANY FORMATION

SECRETARIAL SERVICES

EXIT PLANNING

OUTSOURCING

PAYROLL

COMPLIANCE

VAT SERVICES

MAKING TAX DIGITAL

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UPDATED GUIDANCE FOR PREGNANCY AND MATERNITY PROTECTIONS

Updated guidance has been issued by the Equality and Human Rights Commission to help employers. The guidance provides advice on what employers can do to prevent pregnancy and maternity discrimination at work. The updates are due to the new flexible working laws that came into effect in April 2024, and they outline the changes that employers will have to make because of these laws.

These changes include:

- Extending protection from redundancy.
- In a redundancy situation, offering suitable alternative employment.
- Dealing with the new right to request flexible working from the first day of employment.
- Increasing the flexibility in how paternity leave is used.

Employers should ensure that they are up-to-date and compliant with the new laws, and the guidance can help with doing that. To review the guidance in full, see: https://www.equalityhumanrights.com/guidance/pregnancy-and-maternity-pregnancy

SUPPORT WITH EMPLOYEE HEALTH AND DISABILITY

A new service has been launched to help employers and managers with employee health and disability. The guidance contained in the service will help in supporting employees and to understand any legal requirements. There are also links provided to government and other organisations that are able to help.

The guidance contains information on:

- Managing absences and staying in touch with employees.
- In and out of work conversations with your employees.
- Helping you to decide on changes that may help employees stay or come back to work.
- How to protect your business and your employees with policies and procedures.
- How to manage complex situations.

The service asks you questions, such as “Is your employee currently at work?” or “Has your employee told you they have a health condition or disability?”. Depending on your answers it then provides advice and information about what you need to do. To try the new service out, see: The dependent can be anyone who relies on them for care and not just a family member. For more info, see https://www.gov.uk/carers-leave

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ADMITTING A NEW PARTNER INTO THE PARTNERSHIP: WHAT SHOULD YOU CONSIDER FIRST?

For businesses that run as a partnership, there often comes a time where you need to consider admitting a new partner into the partnership. Perhaps it's a case of looking for someone who will pave the way for an existing partner to retire, maybe it's a family business and there are plans to bring the next generation on board, or perhaps you have a key employee that brings value to the business and is looking to grow their role and status in the business.

Whatever the reason, what are some of the things you should consider before admitting a new partner?

1 Skills and experience

Does the new partner bring skills and expertise that complement the existing partners? This could be in finance, marketing, operations, or in some technical knowledge that is specific to your business. Spend some time evaluating the prospective partner's experience in your industry and how it can contribute to the growth and success of the partnership.

2 Financial contribution

How much capital will the new partner contribute to the partnership? Assess whether this capital is sufficient to meet the current and future needs of the business. It also pays to check on the financial stability of the prospective partner. Will they be able to meet their financial commitments to the partnership?

3 Cultural fit

Things can get very uncomfortable if there's a mismatch of values among partners in a business. While it's not necessary to agree on everything – in fact an ability to have different ideas can be very valuable for a business – long-running disagreements or feuds can be very detrimental to morale across the business. So, consider whether the prospective partner's values, work ethic, and vision align with those of the existing partners. Look at how well the new partner will fit into the existing team. Healthy interpersonal dynamics are crucial for the smooth operation of the partnership.

4 Legal and regulatory considerations

Review your partnership agreement and update it to include terms related to the new partner's rights, responsibilities, and share of profits and losses. Make sure too that the new partner understands and is willing to comply with all the legal and regulatory requirements relevant to the business.

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5 Impact on existing partners

How will the admission of a new partner affect the distribution of profits among existing partners? Besides profit sharing, also consider how the prospective partner's admission will impact decision-making processes within the partnership. More partners can complicate decision-making although they can also bring diverse perspectives

6 Strategic fit

Does the new partner support the partnership's long-term strategic goals? Their vision and goals ought to align with the partnership's growth strategy. Also, can the prospective partner bring new clients or access to new markets that will benefit or add to the strategic direction of the partnership?

7 Reputation and integrity

Unless you already know the new partner well, it is important to carry out thorough background checks to ensure that they have a good reputation and a history of integrity. The reputation they have in their professional network can also benefit the partnership as a whole, so it's worth assessing how strong this is too.

8 Exit strategy

However happy things are on the way into an agreement, it is always wise to ensure that you have a clear buy-sell agreement that outlines the terms for a partner exiting the partnership, whether through retirement, resignation or other circumstances. Consider too how the admission of a new partner fits into the partnership's long-term succession planning.

In summary:

Admitting a new partner is a multifaceted decision that requires careful consideration of financial, operational, and interpersonal factors. It's essential to evaluate the prospective partner's skills, financial contribution, cultural fit, and strategic alignment with the partnership. Legal and regulatory compliance, the impact on existing partners, the reputation of the individual, and an agreed-upon exit strategy are also critical components. Conducting thorough due diligence and having open discussions among existing partners can help ensure a successful and mutually beneficial addition to the partnership.

Tax is also a consideration when a new partner joins a business. Why not ask us about our tool to calculate the tax implications of admitting a new partner into your business? We will be happy to help you!

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CHOOSING THE BEST WAY TO FINANCE BUSINESS ASSET PURCHASES:

LEASE, CONTRACT HIRE OR HIRE PURCHASE?

Picture this: your business is booming, and it's time to invest in some new equipment or a company vehicle. But with so many financing options out there, how do you decide which one of them is right for you? Let's break down three popular choices – leasing, contract hire, and hire purchase – so you can make an informed decision without getting lost in financial jargon.

Lease

Leasing means renting an asset (such as machinery, vehicle or computer) from a finance company for a set period. After the lease term ends, you usually return the asset, although sometimes there is an option to be able to buy it.

Short-term rentals where the payments cover the asset's use, rather than its full value, are known as operating leases. At the end of the lease, you return the item and can lease a newer model. **Longer-term rentals** where the payments cover the full value of the asset over time are known as finance leases. The leasing company legally owns the item, but you use it as if is yours.

Here's why leases can be good:

- Better cashflow: Low upfront costs and spread-out payments help keep your cash in hand.
- Stay updated: Easily upgrade to newer equipment or vehicles.

Here are some things to think about with leases:

- No ownership: You don't own ever own the asset.

Higher long-term cost: Over many years, leasing can be more expensive than buying.

Contract hire

Contract hire is often used for vehicles. Contract hire is like leasing, but usually includes maintenance and servicing in the monthly payments.

Here's why contract hire can be good:

- Fixed costs: You'll know exactly what you'll pay each month, including upkeep.
- Cash flow friendly: Like leasing, it spreads out the cost.

Here are some things to think about with contract hire:

- Mileage limits on vehicles: Exceeding agreed mileage can cost extra.
- No ownership: You can't keep or modify the vehicle.

Hire purchase

With hire purchase, you buy the asset over time. You make a deposit and then regular payments. Once all payments are made, you own the asset.

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Here's why hire purchase can be good:

- You own it: At the end, the asset is yours.
- Predictable payments: Fixed monthly payments make budgeting easier.

Here are some things to think about with hire purchase:

- Bigger upfront cost: Requires a higher initial deposit compared to leasing.
- Maintenance responsibility: You're in charge of upkeep and repairs.
- Cash flow impact: Higher monthly payments can strain cash flow initially.

Making the decision

To choose the best option for you, you may want to consider the following points:

1. Cash flow: How much can you afford each month? Leasing and contract hire usually have lower monthly payments.
2. How long you'll use it: If you need the asset short-term or it becomes outdated quickly, leasing or contract hire might be best.
3. Ownership needs: If owning the asset is crucial, hire purchase is the way to go.
4. Financial impact: Leasing keeps liabilities off your balance sheet, while hire purchase adds both an asset and a liability.

Conclusion

Choosing how to finance your new asset doesn't have to be complicated. By considering your businesses cash flow, how long you'll need the asset, and whether ownership matters, you can pick the best option for you. Tax can also be a factor in the decision. For personalised advice, please feel free to contact us at any time. **Our team of experts is ready to help you navigate the complexities of asset financing and find the best solution for your business.**

BUSINESS INSIGHTS

The Office for National Statistics conducts a fortnightly Business Insights and Conditions Survey (BICS). The voluntary responses received from the latest survey revealed the following insights:

Worker shortages decreasing
21% of businesses with 10 or more employees said that they are experiencing worker shortages. This has reduced since May 2023 where 28% of businesses were reporting shortages at that time.

More sales are happening
21% of businesses reported that their turnover had decreased in April 2024 when compared with March 2024 - a similar proportion to last month. However, 19% reported that the turnover was higher. Last month this was 16%, and so suggests that, in line with the recent exit from recession, there is more sales activity happening. This seems to be feeding into optimism for businesses, since 18% of businesses reported expecting a drop in turnover in June 2024, compared with 22% who expected lower turnover in May 2024. 59% of businesses expect turnover to stay the same, compared with 56% last month.

National Living Wage increases hard to absorb
13% of businesses said that the price of their goods or services sold in April 2024 had increased compared with March 2024, compared to 9% reporting similarly last month. This is the largest proportion since June 2023 and many businesses have commented that they have been unable to absorb the cost of the National Living Wage increase.

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RE-ENERGISE YOUR SALES STRATEGY

IN A TOUGH MARKET IT TAKES AN INNOVATIVE SALES STRATEGY TO SUCCEED.

In today's challenging economic environment with its shifting consumer preferences, intense competition and high costs of doing business, your firm will need an innovative and effective sales strategy in order to succeed.

Start by doing some research in order to gain insights into customer pain points, aspirations, and buying behaviours. Tailor your sales approach to address these points, focusing on delivering value and building long-term relationships rather than solely pursuing transactions.

A successful sales organisation needs to embrace innovation and agility. In a rapidly changing market, businesses must be adaptive and forward-thinking. Explore innovative sales channels, such as e-commerce platforms or virtual selling tools, to expand your reach and accessibility. Additionally, leverage data analytics and AI-driven technologies to gain actionable insights, enhance sales forecasting, and personalise customer interactions.

In a crowded market, differentiation is key to standing out and winning market share. Articulate a compelling value proposition that highlights the unique benefits and solutions your products or services offer. Communicate this value proposition effectively through targeted marketing campaigns, sales messaging, and customer interactions.
A good sales strategy is one thing, but you need to empower your sales team to deliver it. Your sales force is the frontline of your business, driving revenue generation and customer engagement. Invest in training and development initiatives to equip your sales team with the skills, knowledge, and tools needed to thrive in a challenging environment.

Foster a culture of collaboration, accountability, and continuous improvement to maximise team performance and motivation. You can also explore different remuneration packages including bouses, commissions and profit shares, which can encourage the right behaviours within the sales team. Re-energising your sales strategy takes time and effort but by being proactive and embracing innovation, you can set your sales team up for success.

Thank you for reading!

We hope you have enjoyed this month's business newsletter.
If you wish to discuss any issues further, please don't hesitate to get in touch!

We're here to help grow businesses.

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