

SUMMER NEWSLETTER

Continuing to weather the storm?

INSIDE THIS ISSUE

ENERGY EFFICIENCY LOAN	2
EFG LOAN	3
NATIONAL MINIMUM WAGE	4

Almost all economists are still saying that we have tough trading times ahead. The more actions you take now help avoid negative reactions later on and will improve cash flow leaving you better placed to trade out of recession.

Here are a few suggestions you may wish to consider

- 1) Ensure that your terms of business contain explicit payment terms and if appropriate a retention of title clause.
- 2) Agree extended payment terms

with suppliers and, if appropriate, review banking facilities and agree your future requirements now.

- 3) Start "bottom up" budgeting with any staff. Give them responsibility for making savings of say 10% on costs over which they have control. You will be surprised at how resourceful some of your best staff can be!
- 4) Review your staffing requirements for the next 12 months and take action now if reductions are needed, delaying is just costly to your business.

Special points of interest:

H M R C

www.hmrc.gov.uk

Carbon Trust

www.carbontrust.co.uk

E F G

www.berr.gov.uk

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5) Review budgets and make sure targets for 2010/11 are realistic and achievable.

6) Review the main processes in your business such as manufacturing, sales processing etc and challenge the need for each step. Consider alternatives such as outsourcing, would this be more effective? Could two processes be merged to reduce staff and therefore become more efficient?

7) Review all your products and services. If they are not core, or unprofitable now is the time to eliminate them and concentrate on the profitable lines and services.

8) Review debtor book. Is it correct? Have you chased up overdue invoices (these could be the bad debts of the future) and get rid of any can't pay/won't pay customers. Is it an

option to offer a discount for early settlement? If you are using an overdraft to trade the discount can be off set against the reduced use of the overdraft and interest saving.

9) Hold a staff meeting, explain what you are doing and involve the staff. Often they will come up with the best ideas but have never been asked!

10) Set key performance indicators such as stock turnover, debtor days, lead generation, cash reconciliation, gross profit margin etc. Ensure these are measured constantly as they will be a quick litmus test if things are improving.

Now is a time when the brave and smart businesses survive and indeed thrive as conditions improve but only if the right actions are taken and followed.

Green is King!

Reducing the carbon footprint is both an immediate and longer term issue that affects personal and business investment, but what help is there for financing energy saving projects.

The Carbon Trust in its financial year 2008/9 (the last reported) offered over £22million in Energy Efficiency loans to replace old equipment and their loans are interest free.

The interest free loan facility is generally

available to small and medium sized companies (SME's) where CO2 savings are made from expenditure met by the loan.

The unsecured loans have no arrangement fee and range from £3,000 up to £100,000. The amount and duration of the loans are directly related to the anticipated CO2 savings achieved. The amount of CO2 that must be saved per £1,000 of loan is set at 2.5 tonnes. Loan calculators are available on their website.

The maximum loan period is generally set at 4 years, the aim being that the loan repayments are offset by energy savings.

Examples of energy saving projects include improved heating, refrigeration, lighting and insulation processes

So who is eligible?

An organisation, for example, a sole trader, partnership, company, club or charity, needs to be trading for at least 12 months and generally to qualify as an SME.

An SME is defined as:-

- An organisation with less than 250 equivalent full time employees where

- Either turnover does not exceed €50m (approximately £42.5M) and /or assets do not exceed €43M (approximately £36.5M)
- No controlling interest of more than 25% by a non-SME.

EU rules on state aid means that the Carbon Trust are not normally able to offer business loans for the acquisition or adaptation of vehicles, or to organisations involved in agricultural or fisheries products, or export related activities. However farmers in England can apply for a business loan of up to £20,000.

For more details about how to apply for an Energy Efficiency Loan contact us or see the Carbon Trust website at www.carbontrust.co.uk

Government Guarantee Funding

In the Pre-Budget Report of 9th December 2009 the Chancellor announced an extension to the Enterprise Finance Guarantee scheme (EFG) which was originally due to end on 31st March 2010. The announcement stated that a further £500 million of new bank lending is to be guaranteed between 1st April 2010 and 31st March 2011.

How does it work?

The scheme aims to facilitate bank lending to viable businesses which are generally otherwise unable to secure funding, due to lack of a track record or collateral. Guarantees are provided by the government to commercial lenders who participate in the scheme, to the extent of 75% of the loan. Loan amounts range from £1,000 to £1 million and there are now more than 35 participating lenders.

Who is Eligible?

The scheme is aimed at small businesses with the definition of small being generously defined at enterprises with up to £25 million annual turnover. Most sectors qualify with the main exceptions in banking, insurance, finance, transport and agriculture.

What can it cover?

The guarantee aims to cover,

- new term loans of between 3 to 10 years,
- refinancing of existing term loans, where the loan is at risk due to the deteriorating value of security or where for cash flow reasons, the borrower is struggling to meet existing loan repayments.
- The scheme can be used to convert an existing overdraft into a term loan to meet working capital requirements.
- The EFG can be used as a guarantee on invoice finance facilities to support an agreed additional advance on the SME's debtor book. This will supplement the invoice finance facility already in place
- Guarantee on new or increased overdraft borrowing for the SME's experiencing short term cash flow difficulties

What does it cost?

In addition to the standard arrangement fee and normal capital and interest payments you would expect to pay on the loan to the lender, there is also a premium payable to the Department for Business, Innovations and Skills.

The premium is equivalent to two per cent per annum on the outstanding balance of the loan, assessed and collected quarterly in advance by direct debit throughout the life of the loan.

We have helped a number of clients over the last six months with this particular scheme and if you would like to discuss the scheme or take advantage of it then please give us a ring.

Further details can be obtained on their website www.berr.gov.uk/whatwedo/enterprise/finance/efg/page37607.html.

The site includes a list of lenders and restricted business sector areas.

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National Minimum Wage rates to rise again

The government has announced the National Minimum Wage (NMW) rates that will apply from 1st October 2010. In addition to the rate increases detailed below there are two further related changes. The first change expands the age range for the main rate from workers aged 22 and over to workers aged 21 and over.

The second change involves the introduction of minimum wage for certain apprentices in their first year.

New rates will be as follows:-

£5.93 for workers aged 21 and over (currently £5.80 for workers 22 and over)

£4.92 for workers aged 18-20 (currently £4.83 for workers aged 18-21)

£3.64 for workers (excluding apprentices aged 16 and 17 (currently £3.57)

About Our Organisation

We hope you find the articles in the spring edition of interest and relevant to your businesses.

This is your newsletter, and as such, if you want information on any subject that will benefit other clients, then please let us know and we will incorporate it in the newsletter.

Likewise, if you have some good news then let us know,

and we can share this with our clients. You may have won a new contract, had your best year ever or celebrated a milestone. Given the bad news every day in the press let's break the mould and start sharing some good news for a change

Our good news is that Carolyn Homer has just run the Race for Life and raised money for Cancer Research.

If you would like to donate then please forward any cheques and/or cash to Carolyn at our office

