

Take control of your business

The economy always has ups and downs, but its resemblance to a roller coaster is currently more marked than ever.

We were finally getting over the financial crisis when Covid struck. Then, in the trough of the worst economic downturn in 300 years, we discovered that recovery was driving the Financial Times Stock Exchange (FTSE) to new heights and the job market into a frenzy.

In the wake of that, it became clear the recovery was overheating and we were facing a period of both rising inflation and industrial action.

Russia's war in Ukraine has made things worse. It has not only meant desperate human suffering but it has also affected the entire global economy, driving up the cost of food and energy. This adds to the hardship for those on a low income and means serious food security risks in the world's poorest economies. Businesses of every size face challenges that are now suppressing growth. You may have a great product or service, but without a strategic plan to help define, articulate and communicate where it is going, it will be at the mercy of outside events.

We encourage our clients to take some time to think long-term about their business and to establish goals or targets that you can control.

A plan starts with identifying and accessing opportunities within your market and addressing how your business is going to evolve to meet the challenges of today and the future. The plan gives your business purpose and it answers questions about your long-term goals.

The first step is to look at five important areas:

- Think long term – invest time in understanding where the market is going and what this means for your customers. Short-term decisions do not help grow a business.
- Having a good value proposition is essential – this states the relevance of your product or service, what it does and why customers need it. What is yours?
- Expand your reach – what is your target customer and what do you need to do to let them know you exist and that your product or service is relevant to them?
- Growth means new people, systems and perhaps different ways of doing things. Grow at a pace you can manage.
- How will your marketing get your value proposition before relevant customers?

To succeed in the new economic climate we face, businesses will need to be flexible and agile and ensure they have carefully planned for the challenges and opportunities that lie ahead. It's important to know the future of your business, where you want to go and how to get there. Without a solid plan in place, things can go astray. At HWB we guide you through the process and help you to examine your business, its goals and priorities and help you clarify your vision for the future.

If you're interested in a Planning for the Future session, please contact:

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New guidance on cyber resilience

Businesses and organisations are being urged to prepare for an extended period of heightened cyber security threat. New guidance from the National Cyber Security Centre (NCSC) comes as threats arise from Russia in light of events in and around Ukraine.

The new guidance aims to help organisations avoid complacency and staff burnout.

There are no current specific threats to UK organisations, but the NCSC warns that the heightened cyber threat to the UK is expected to last for some time.



Increased workloads for cyber security staff over extended periods can harm wellbeing and lead to lower productivity, with a potential rise in unsafe behaviours or errors.

Recommendations include:

- Consult the NCSC action plan: <https://tinyurl.com/4zu97462>
- Revisit risk-based decisions taken during the initial phase of heightened threat
- Empower cyber staff to make day-to-day decisions without requiring additional oversight
- Spread workloads evenly across individuals and teams
- Ensure frontline cyber staff take breaks to recharge
- Accelerate planned action to harden networks and boost defence capabilities

See also the NCSC article on maintaining a sustainable strengthened cyber security posture: <https://tinyurl.com/ymrwmasx>

Making credit scores add up



Credit improvement helps businesses increase their credit score. Your business credit score is a measure of creditworthiness – in other words, how much of a risk it would be for a lender to offer you funding. It is not only a measure of your financial health today but can give a reliable indication of your future position. Credit agencies such as Experian give your business a score between 0 and 100 using the Commercial Delphi scale. A score of 2

to 15 is considered maximum risk, 51 to 80 is considered below average risk and 81 to 90 is considered low risk.

This risk level goes hand-in-hand with the maximum credit limit an agency will recommend for a lender to offer you.

How a lower credit score could impact your business:

SCORE UNDER 30

Getting funding approval will be difficult, suppliers won't be able to offer you credit, potential customers will be less likely to do business with you.

SCORE UNDER 50

You'll pay higher rates for funding and suppliers might be hesitant to offer you credit because of high insurance rates.

SCORE UNDER 70

You may miss out on the best funding rates.

Benefits of an improved credit rating include:

- Improved credit terms with suppliers
- Access to more funding options, often with better terms
- Strengthen existing client relationships and ability to win new work
- Reduction in the required security deposit
- Greater business reputation
- Ability to meet criteria for tendering and financial requirements

At HWB we can assist by reviewing your accounts to consider the impact of your own credit score and also examine the position of your clients and customers to assess the risk to your business of bad debts.

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Tax super-deduction is set to end

If you are thinking of investing in plant or machinery, now may be the time to do it as there are just months left before temporary tax reliefs on qualifying capital asset investments end.

The 130% super-deduction, which applies where the expenditure is incurred between 1 April 2021 and 31 March 2023, is designed to stimulate business investment.

This is because companies recovering from the coronavirus pandemic have not had the resources to commit thus far and the war in Ukraine may have made them reluctant to invest until the political and economic situation stabilises.

The special tax relief announced in Spring 2021 potentially saves £247 for every £1,000 invested in new equipment.

It is hoped that the current £1 million Annual Investment Allowance (AIA) will continue to be held at that level once the super-deduction ends.

However, as it is currently scheduled to drop to £200,000 from April 2023 it may be advantageous to accelerate plans for capital expenditure.

The AIA is available to unincorporated businesses as well as limited companies and for second hand as well as new equipment.

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Introducing reverse stress testing

During this challenging economic time, with the increasing cost of living and rising inflation, it is important for businesses to consider their exposure to adverse scenarios.

These can be varied in their nature, severity and duration, dependent on the type of business.

Stress testing, specifically reverse stress testing, is the process of looking at the 'worst case scenario' for your business.

For instance, how low can sales go or what is the maximum price you would be willing to pay for 'xyz' before the business begins to find it difficult to survive?

Stress testing involves a number of techniques, including sensitivity analysis and can be carried out on individual activities as well as business-wide levels.

Reverse stress testing is a stress test that starts with the identification of a pre-defined outcome, such as a business failure or unviability.

Questions such as the following need to be asked:

- What would it take for the business to fail?
- What individual event or sequence of events could lead to this outcome?
- What can be done now to avoid this?

The answer to the third question helps the business to develop plans to address specific weaknesses.

At HWB our review process will help clients with forecasting.

By looking at today's (and yesterday's) figures we can help predict how things will look for your business in the future. We can look at your accounts and produce a break even analysis and profit and loss modelling to help you cope with what the future may bring.

If you would like to discuss how HWB can help you with stress testing or reverse stress testing, please contact:

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Plan your succession carefully

How business leaders prepare for the future of their company, succession and exit strategies are vitally important, especially in tax terms. There are many options available to owners who are considering plans for the future of their business.

Understanding the tax implications of each is essential in this process as there are many pitfalls and unexpected tax consequences of getting things wrong. There are five main options available where you wish to retire or leave your company. All of these options are available if you have a good team of people able to run the company in your absence, but only one is available if you don't.

Option 1: Sale to a third party

The only option when there is no family, or the family doesn't wish to succeed you in running the business, or if there are no employees or a management team to step up to run the business. In most cases this would be a sale of your shares in the company, but this option can also work as a sale of the assets and then subsequent winding up of the company.

Option 2: Company purchase of own shares (CPOS)

When other shareholders are happy to carry on the business but don't have (or don't want to use) personal funds to purchase the shares, the company can buy its own shares, which are then cancelled. As a result, the other shareholder's interests in the company increase proportionately. Strict conditions apply here for capital treatment which, if not adhered to, can mean the proceeds are taxed as dividend income.

Option 3: Management buy-out (MBO)

Generally used when a CPOS isn't available e.g. the company is non-trading, there are insufficient distributable reserves or family members are shareholders (therefore there is a connection condition breach for the capital test). Under an MBO a new holding company is inserted which buys the shares in the existing company. Shareholders who want to leave receive cash proceeds; shareholders who want to stay receive shares in the new holding company. The downside is having a new company to run (with associated expenses) and additional stamp duty costs (in comparison to the CPOS).

Option 4: Employee ownership trust (EOT)

An EOT is established with the company employees as potential beneficiaries. The departing shareholder sells their shares to the EOT and, provided the qualifying conditions are met, the gain is exempt from Capital Gains Tax (CGT).

Option 5: Gifting to future generations

Only relevant if the sellers don't need the proceeds, this option can be extremely Inheritance Tax efficient where the value of the estate exceeds the £2 million threshold, above which the residence nil rate band begins to decrease. This option only really works however if the company is trading due to the OGT implications of the gift.

I hope this very brief overview of the main options provided a little more clarity around the expressions often banded around in corporate environments. Before starting a sale process sellers should always take advice as there is no 'one size fits all' solution – every business and every seller is different.

If you wish to discuss future plans for your business, please contact:

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Tom pictured centre, with HWB's directors.

Tom gains promotion

Former business adviser Tom Young has been promoted to Associate Director from June 2022.

Tom, 33, joined HWB as a trainee in 2007 and achieved his chartered (ACA) qualification in 2012.

Since becoming a business adviser in 2014, he has been responsible for managing a wide portfolio of clients, ranging from small business to large audit clients with a dedicated focus on the property sector.

Tom said: "HWB is a great firm to work for as it provides you with experience in all aspects of the accountancy sector. There is a great team ethic and a wealth of experience which allows you to challenge yourself, knowing there is always someone who will be there to assist."

While taking on a host of new responsibilities in his new role, Tom will continue with the property specialism of his client-facing work.

As well as his client work, Tom provides team leadership including appraisals and career development for colleagues who report directly to him.

On becoming an associate director, Tom said: "I have been with the firm 15 years and have built great relationships with my colleagues and clients.

"I am excited to take the next step in my career, contributing towards the board's decisions and future success of HWB."

James steps out after stepping up

Newly promoted Director James Flood is supporting our charity of the year, Wessex Cancer Trust (WCT), by running his first marathon.

James, who joined the Board in May 2022, trained over the spring and summer for the 2nd October London Marathon with a fundraising target of £2,000.

James' promotion is in recognition of his strengths in providing accounts, audit and taxation services for clients including SMEs, owner-managed businesses and Academy schools.

Reflecting on his appointment as Director, James said: "Joining the Board is a great opportunity to contribute even more to HWB's success and future progress.

"It also means more responsibility for me personally as an ambassador for the firm seeking to maintain and grow our excellent reputation

among current and prospective clients."

To donate to our WCT fundraising campaign, visit: <https://www.justgiving.com/fundraising/hwb-accountants1>



Celebrating long service at HWB for Alan and Jenny



A pair of team members are celebrating big anniversaries with us.

Alan Rolfe, our Senior Tax Manager, specialises in Corporation Tax and also has many years' experience as an expert in VAT, PAYE and NIC. He works closely with our Academy school clients, advising on VAT in particular.

Jenny Cull is an audit senior, working with a range of clients including those in the motor trade, hotel, logistics, production and film industry, as well as academy schools. HWB HR Director Tracy Jenkins said: "Congratulations to both Alan and Jenny for completing these milestones with us. They both continue to play essential roles in our ongoing success and growth."

HWB seminars designed for you

We hold regular webinar and seminar events on a range of business issues relevant to our clients.

You can register online via our website <https://www.hwb-accountants.com/events/>

If you've missed any of our previous events, you can catch up via our YouTube channel, where there are also some useful guide videos:

<https://www.youtube.com/c/Hwb-accountants>