17 June 2024

BUSINESS NEWS - ENGLAND

Welcome to our round up of the latest business news for our clients. Please do contact Cognitor Accountancy if you want to talk with us about how these updates may affect your business. We are here to support you!

Exploring finance option for small businesses: A guide to fuelling growth



Shawbrook Bank recently conducted research that indicated that half of small business owners have had to raid their savings to fund their businesses.

Their survey found that small businesses applying for finance from lenders over the last year said that it didn't meet their needs. So, they were using savings and credit cards to provide the necessary funds to grow their business.

For small businesses, the path of growth is often obstructed by financial constraints. Whether it's investing in new equipment, expanding operations, or hiring more staff, accessing the right funding is crucial.

What are some viable options available to small businesses?

1. Traditional bank loans: Perhaps the most common form of financing, bank loans provide businesses with a lump sum that is repaid over a predetermined period with interest. While they offer stability and structured repayment plans, securing a bank loan can be challenging due to stringent eligibility criteria and lengthy approval processes.

2. Government Schemes: The government has introduced schemes to facilitate access to finance. For instance, the Growth Guarantee Scheme, which is the successor to the Recovery Loan Scheme, will launch with accredited lenders on 1 July 2024. The scheme provides lenders with a 70% government backed guarantee, thereby reducing the risk associated with lending to small businesses and making finance easier to

obtain. (See: https://www.british-business-bank.co.uk/finance-options/debt-finance/growth-guarantee-scheme)

3. Alternative Lenders: With the rise of fintech, alternative lending platforms have emerged as a viable alternative to traditional banks. Known as marketplace lending, peer-to-peer lending, or P2P lending, alternative lending typically takes place through online platforms that bring borrowers and loan investors together.

4. Angel Investors and Venture Capitalists: For businesses with high growth potential, seeking investment from angel investors or venture capitalists can provide the necessary capital injection. In exchange for equity ownership, investors offer funding along with their own strategic guidance and industry connections.

5. Crowdfunding: Crowdfunding platforms have gained popularity as a means of raising capital by pooling small contributions from a large number of individuals or investors. These platforms offer businesses the opportunity to showcase their ideas and garner support from the crowd.

6. Grants and Subsidies: Various government grants and subsidies are available to small businesses across different sectors. These can range from grants for research and development projects to subsidies for hiring apprentices or investing in energy-efficient technologies. While it can be competitive trying to obtain one, securing a grant can provide businesses with non-repayable funds to fuel growth.

7. Asset-Based Financing: Asset-based financing allows businesses to leverage their assets, such as inventory, equipment, or property, to secure funding. Options like asset-based lending and sale-and-leaseback arrangements enable businesses to unlock the value of their assets without relinquishing ownership.



8. Revolving Credit Facilities: A revolving credit facility provides businesses with access to a pre-approved line of credit that can be drawn upon as needed. Unlike a traditional loan, where funds are disbursed in a lump sum, revolving credit offers flexibility and allows businesses to manage cash flow fluctuations effectively.

9. Personal Savings and Friends/Family Loans: Coming back to where this article started, of course personal savings and friends/family loans are often a practical option in the early stages of business growth. While this option may lack the formality of traditional financing, it can provide a quick source of capital without the need for extensive paperwork or collateral.

In conclusion, obtaining finance isn't always straightforward or easy as a small business. However, there are options out there and by carefully assessing your funding needs and being open minded about the options, you can find the right financing solution to fuel your growth ambitions.

As experienced business advisers we've helped many businesses get the finance they need to fuel their business growth. Please feel free to call us at any time and we'll be happy to help you. And if you are a new business, why not ask us for a copy of our New Business Kit?

Latest labour market trends: what they mean for your business



The latest labour market report from the Office for National Statistics shows a few important trends that might affect your business.

First off, it looks like the job market is starting to cool down. It's estimated that there are fewer job openings now, which means businesses aren't hiring as much as before. On top of that, the unemployment rate has gone up to 4.4%, which is higher than it was last year.

When it comes to employment, the data is a bit mixed. Recent surveys and tax data show a slight drop in the number of jobs. However, the overall picture since December 2023 is more positive, with an increase of 431,000 jobs. So, while there have been some recent declines, the long-term trend still shows growth.

Interestingly, more people are not working or actively looking for work. The rate of people who are inactive in the job market has risen to 22.3%. This could mean more people are staying out of the workforce for various reasons.

On a brighter note for employees, though not necessarily for businesses, wages are on the rise. Regular earnings have grown by 6.0%. After adjusting for inflation, people are still earning more, which is good news for employees and may assist morale in the workplace.

However, there's also been an increase, both since last month and since last year, in the number of people claiming unemployment benefits. This has now reached 1.629 million.

So, what does all this mean for your business?

- You might want to reconsider your hiring plans for now. With fewer job openings and more people out of work, focusing on retaining and training your current employees could be a smart move.
- It's also important to plan for higher wages, as pay rates are going up.
- Offering flexible work options or training programs could help attract people who aren't currently working.

Looking ahead, although there are some short-term changes, the long-term trend shows that job growth is slowing down. As ever, it's essential to focus on sustainable business practices and long-term planning to navigate these changes in the job market.

See:
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2024

Invest in Women Hub launched

If you are a female entrepreneur in the UK, you can now access a new resource designed to help you access the finance you need to start, grow, and scale your business. The new hub is designed as a one-stop shop that provides the resources and information you need.



For example, to try and simplify the process of finding a finance partner, the hub has a 'Find a Finance Provider' tool. The tool includes business incubators, accelerators, and venture capitalists within the options it provides. The Hub can also help you to connect with networks and to find a mentor.

The Rose Review published in March 2019 said that £250 billion could be added to the UK economy if women started and scaled businesses at the same rate as men. The new hub aims to help female entrepreneurs do just that.

The Hub is run by the Council for Investing in Female Entrepreneurs, a voluntary collective established to encourage and support women in business.

For more information, see: https://iiwhub.com

Extended Fisheries & Seafood Scheme now closed

We reported last week that the Fisheries and Seafood Scheme (FaSS) had been reopened after a further £2 million of funding was made available.

However, due to overwhelming demand the scheme has now been closed to new applications.

Any applications received prior to 12.00pm on 10 June 2024 are currently being reviewed. Any applications made after this time will unfortunately not be considered.

See: https://www.gov.uk/government/news/extended-fisheries-and-seafood-scheme-closes-for-2024

Buying a second home: what should you think about?



As accountants, we are often asked about the financial and tax implications of buying a second home. Sometimes the pull of a country or seaside retreat might inspire you to think about having a second home. Or maybe you have spare cash or income and are wondering if a second home could be a good investment.

Whatever the reason, before you take the plunge, what are some things you might want to consider?

What are the costs of buying a second home?

It will sound obvious to say, but outside of the purchase price there are a number of other costs to think about that may impact on your decision.

- Stamp Duty Land Tax (SDLT): This is one of the significant costs to consider. For second homes, there's an additional 3% surcharge on top of the normal SDLT rates.

- Council Tax: Second homeowners in England should also be aware of potential increases in council tax. From April 2025, under the Levelling Up and Regeneration Act 2023, councils will have discretion to charge up to 100% more in council tax on furnished homes not used as a main residence. This means you could end up paying double the usual amount.

- Insurance: Because they're often unoccupied for periods, insurance premiums are sometimes increased for second homes.

How will you pay for it?

Unless you have cash available to buy a second home outright, you'll likely want to think about how you will finance your purchase. With this there are essentially two options.

- Mortgages: Meeting the conditions to get a mortgage on a second home can be challenging. For instance, a higher deposit is often required than would be the case for your main home. An interest-only mortgage could help to keep the costs down, but over the long term you'll still need a repayment plan.

- Equity release: Your main home may have equity that you could release to fund your purchase. You might be able to borrow on the value of this equity using an equity release scheme. These have risks though, so you should get expert advice if you are considering this as an option.

Are there any tax implications to think about?

Besides the SDLT we discussed before, tax implications will depend on how you plan to use your second home and what your future plans are for selling it.

- Tax on rental income: Some second homeowners rent the home out for a period or use it as a holiday let. These can be good ways of helping to cover your costs if you don't plan to live in the property yourself. However, any rental income you make will need to be declared on your tax return. On the plus side, some of the costs of running a rental property can be offset against the income.

- Selling your second home: When you sell your second home, any profit will be subject to Capital Gains Tax (CGT). The gain is calculated as the difference between the purchase price and the selling price, minus any allowable expenses and reliefs. This is different to the situation where you sell your main home, which is usually tax-free. If you plan to permanently move to your second home at some point in the future, then any gain you make from that point onwards could be tax-free.

Given the complexities of tax regulations around second homes, it's essential to get expert advice. As your accountants, we can help you navigate these rules and make informed decisions. Please just give us a call and we'll be happy to provide you with personalised advice.

Whether you're considering buying a second home for personal use or as an investment, understanding the financial and tax implications will help you manage the costs effectively, avoid any surprises, and enjoy the benefits that come from your new place with peace of mind.

Apple Intelligence

At WWDC 2024 last week, Apple unveiled its much anticipated first step into artificial intelligence.



Apple's strategy is to use AI within its ecosystem to enhance user experiences, focusing on practical applications. These AI features are designed to enhance the functionality of Apple's operating software for Mac, iPad and iPhone, and one of the standout features is an update to Siri, Apple's voice assistant, that will improve its voice control and functionality.

During the announcement, Tim Cook expressed his belief that Apple's unique combination of hardware, software, and services integration gave them an advantage over other tech companies making use of AI.

A key concern for businesses will be how Apple implements privacy and security. While some processing will be done on-device, more complex requests will require the use of the cloud. Apple emphasised that they have robust security measures in place, but due to the privacy and security concerns that can surround AI use it will be important to see exactly how they implement these before committing to widescale use.

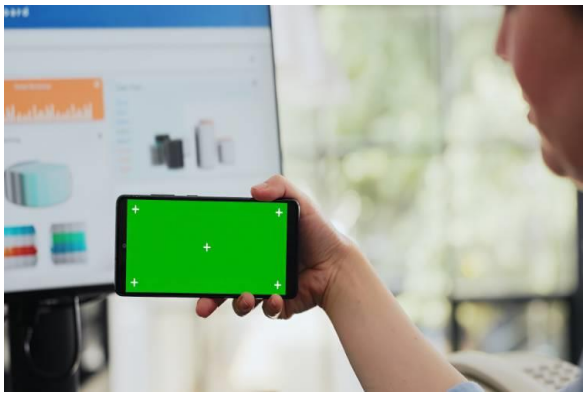
Many businesses are also finding it difficult to work out how to apply AI to their work and workflows. It may be that by focusing on practical applications, rather than flashy technologies, Apple Intelligence is able to help users boost their productivity in meaningful ways.

Apple Intelligence is not coming to all devices though. In the current lineup, only the iPhone 15 Pro and Pro Max, and Macbooks and iPads with M1 chips or later, will be compatible with Apple Intelligence. This means that there could be a drive to buy the new iPhones and Macs that are capable of running these advanced AI features. This would be good news for Apple, but perhaps not for your IT budget!

See: https://www.apple.com/apple-events/

Microsoft recalls "Recall," its new screenshot feature

Sticking with an AI theme, Microsoft also recently announced changes to Windows that will incorporate Copilot+, its AI solution.



One of the new features of Copilot+ is called "Recall" where screenshots are frequently captured of whatever desktop activity is happening at that moment and then storing them. This was advertised as a function to make users' lives easier.

Recall is a feature that can search through a users' past activity, including their files, photos, emails and browsing history. In addition, the tool also takes screenshots every few seconds and stores them.

Users were understandably concerned about the privacy aspects of this and claimed that hackers may be able to misuse the tool and the saved screenshots. The Information Commissioner's Office (ICO) also weighed in on the discussion and have said they are making enquiries about it.

As a result of the concerns raised, Microsoft have backpedalled and now confirmed that users will have control over what Recall accesses and saving screenshots will be an opt-in choice during setup that is turned off by default.

Microsoft say the updates will be implemented before Copilot+ PCs officially launch on June 18th.

See: https://www.bbc.co.uk/news/articles/cd11rje1mrro

Please do contact us if you would like to talk about any of the articles. We are here to support you and your business!

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