

Our organisations are working together to provide support for businesses in Tayside and beyond. The property and construction sectors have been most adversely affected to date, and we fear that other sectors

face significant trading challenges early in 2009. The need to take action is immediate, as is the need to seek good advice.

The following are recommended as New Year's resolutions.

## Top 10 business tips

1. Consider your trading structure - would Incorporation reduce your risk?
2. Establish robust credit control procedures - "cash is king"
3. Review your staffing arrangements to increase productivity and reduce cost
4. Stop working for customers who won't pay and take appropriate action
5. Work harder to retain your best customers
6. Monitor cashflow and keep in regular contact with your bank
7. Consider outsourcing tasks to achieve savings
8. Ensure that all costs are providing value for money
9. Assess funding alternatives such as "invoice finance"
10. Take action now - business decisions delayed can be terminal

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# Surviving the Recession

This may seem like an extreme title for a professional bulletin, but there can be no doubt that businesses are now facing some of the most challenging conditions for 30 years. It is for this reason that we have combined our resources to express the need for action by all businesses, to successfully combat the economic downturn.

As professionals, we are here to help, and together we feel we can offer guidance and support across a broad range of issues.

Included are a small selection of articles providing advice to help you manage your business better in these challenging times. For more information, or to obtain further guidance on your particular circumstances, contact the relevant organisation for a free consultation. We are also planning a series of presentations throughout Tayside in February, and we would be delighted to welcome you to those. **For dates & venues please refer to the reply card.**



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## Supporting local businesses

### Making the most of the current climate

Alastair Rodger, managing partner at Clydesdale Bank's Dundee Financial Solutions Centre, talks about making the most of the economic situation.

It has definitely been a challenging year for businesses and consumers. The number of property sales in the UK fell by 53% in the past year; petrol prices hit a high of 119.5p for a litre of unleaded in July; and in Q3, 127 Scottish businesses fell into liquidation – bringing the total for the year so far to 361 in Scotland alone.

But what does this all mean for businesses? Keeping a company profitable, or at the very least afloat during periods of volatility, isn't necessarily new to business owners – many sat tight when the last recession hit and when the dot.com bubble burst in 2001 and lived to tell the tale. But for others who have only ever operated in favourable economic conditions, the prospect of surviving such turmoil gives them cause for concern.

Despite the current economic climate, Clydesdale Bank continues to take a consistent approach to lending, meaning that for the right proposal and the right deal, funding is available. Therefore, business owners need to put the best possible case forward:

1. A robust business plan is absolutely essential whether you are starting up or already established. It is your key tool for attracting business funding from a simple overdraft to significant investment. When looking to borrow money, in whatever form that takes, a bank will be interested in certain key points. What are you going to do with the money? How will it help the business grow? How do you intend to repay it? And what other loan or debt commitments does the business have?
2. Business owners regularly make the mistake of being overly optimistic, especially when it comes to putting a value on the business. While such confidence can be an advantage in business, this is not the case when it results in failing to build in contingencies, which are particularly important during periods of economic uncertainty.
3. Today, more than ever, experience speaks volumes. Banks are looking for evidence of an established business which has worked through troubled times before, has a strong and experienced management team and a business model that has been 'stress tested'.
4. Knowing the market in which you operate is just as important as showing how you plan to reach potential customers and turn them into paying ones. If there is a genuine market and demand for your product or service then that bodes well for the business and increases its chances of support.

5. Building a strong relationship with your bank will undoubtedly benefit the business. You should be talking to your business banking manager on a regular basis – not just when you get into trouble. However, if a business is at a critical point in its lifecycle, understanding and acknowledging problems early makes them easier to rectify in the long run. So if you think your business is encountering difficulties, it's wise to accept action is required and get the support you need to best protect the future of your company.

At Clydesdale Bank we operate at a local level rather than deferring to a centralised head office, meaning we have an expert understanding of the environment our customers are operating in and can work with them to find end-to-end solutions

for their business needs. 2009 will hopefully prove to be a year of recovery and re-establish economic stability, and it's important that SMEs keep a positive attitude and clear focus. Not one of over confidence, but a careful approach and the belief that things will improve.

Clydesdale Bank is differentiated in the UK by its adherence to the sound principles of a traditional banking model with strong relationship-based business banking through its UK-wide network of Financial Solution Centres (FSCs).

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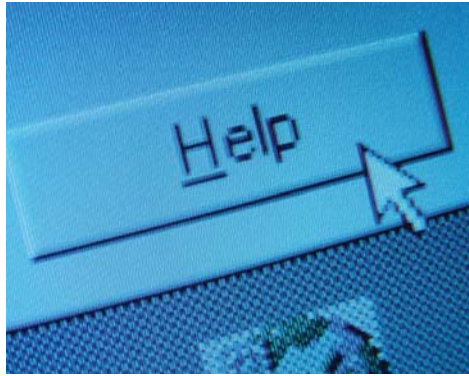
# Outsourcing to improve profits

## Operational efficiency

In the current economic climate, all businesses are rightly examining the benefits derived from their various lines of expenditure. Sensibly this could include a review of Utility providers, to ensure that the best deal is secured on Power and Communications, or perhaps a review of certain costs which may be optional rather than critical.

For many businesses, employment costs can be one of the most significant, and it may seem that all of these are essential for the efficient operation of the business. However when analysed in a manner which detaches the review from the individual filling the role there can be instances where sizeable cost savings can be achieved. For many tasks within an organisation, there may be benefit in these being outsourced.

Let's take the example of payroll. Many businesses will employ a payroll clerk to deal with all aspects of payroll. For smaller businesses that same person may effectively multi-task, and be expected to deal with other administration and finance functions. Releasing time to concentrate on financial management issues such as debt collection or management accounting, may be a far more effective use of resources. No matter the size of business it must be worth assessing if costs can



be reduced and efficiency gained through outsourcing the function. There can also be other practical benefits, such as removing concerns over sick leave or holiday cover.

Many businesses, and indeed an increasing number of our clients, have chosen to outsource that function to ensure that they only operate on a "pay as you process" basis with the result that the costs are significantly cheaper. This is only one example of outsourcing. Other common examples include :-

- The human resources function
- Bookkeeping
- Company secretarial
- Marketing and PR
- IT support

It's definitely worth reviewing your working practices to ensure that savings are secured and that you optimise business effectiveness.

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# Understanding your business

## Analyse and be decisive

It has never been more important to really understand your business finances. For many businesses in the coming months getting finance right from the pricing of product or service, all the way to receipt of cash, will be critical to survival. That sounds so simple, but the fact is that during a period of economic prosperity this is less vital. Profit margins may have been more generous as customers are less price sensitive, and debt recovery is easier when customers are themselves more successful and able to pay.

**On that basis, the following recommendations will help you manage your finances:-**

- Remove optional or unnecessary costs
- Identify your 'fixed costs' to measure what margin you require to break-even at worst
- Establish what your sales target needs to be on a monthly/weekly basis

- Ensure you invoice customers at the earliest opportunity
- Identify the 'key performance indicators' (KPI's) relevant for your business, and regularly measure performance against those
- Prepare and review accurate management accounts on a monthly basis
- Seek advice from professional advisors with experience in a recession
- Apply strong credit control procedures at all times

During 2009 the incidence of business failure in Tayside will increase, but without doubt this will be greater in businesses which are badly managed. Take control of your business and minimise your exposure to the risk of failure.

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## Employment Law

### Redundancy - an unfortunate necessity

The people who work in a business are often its greatest asset. Their skill, experience and commitment can be critical to the ongoing success of the business. Unfortunately, they are also likely to be the single largest overhead. The wage bill will inevitably come under scrutiny when times get tough. For any business this is both a threat and an opportunity.

Redundancy can be an expensive exercise. The amount of each redundancy payment is based on the employee's gross weekly pay, age and length of service with the maximum individual payment increasing to £10,500 for dismissals on or after 1 February 2009 (with the increase based on last autumn's inflation rate of 5%). In addition the redundant employee will be entitled to full notice pay and usually also accrued holiday pay. Considerable management time will be absorbed in the consultation which must be undertaken if unfair dismissals are to be avoided. In addition, at least until the law changes in April 2009, care must be taken to comply with the statutory dismissal procedures.

Where, you may ask, is there any scope for opportunity here? The redundancy exercise forces any business to take a fresh look at how the business is organised. It may not be possible, or indeed sensible, to be too radical. However, you



won't find a better and more efficient way of operating the business unless you look for it and a redundancy exercise may force you to do just that. You may also find that your employees are more willing to accept changes to their terms and conditions of employment where the alternative could be losing their job with the statutory dismissal procedures.

Using the unfortunate necessity for redundancies as the catalyst for a review of how the business operates may bring a number of benefits. The business should emerge leaner and fitter. There should be a clearer vision of how the business will move forward, and communicating this effectively to staff should help to restore morale. Decisive action taken early enough to be effective should help to retain support from lenders, suppliers and customers. If it has to be done, don't put it off!

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## Debt Recovery

### Using legal process to recover debt

In these difficult times, it is important that businesses make sure that bills are regularly paid. Here are a number of simple but important things to consider with a view to maximising the ability to recover payment: -

1. Who is the customer? Is he a private individual, a partner in a firm or does he represent a limited company? Do you know who the customer banks with? Do you know who the customer trades with? All of this information can be helpful if you need to raise court proceedings to recover payment.
2. What are the terms of the contract? The contract should work for you. Can you bill your customer on an interim basis? An early bill before the contract is completed can be an indication as to the likelihood of recovery. Do your terms and conditions allow you to cease performance until payment of interim bills is made? Do you have a clause which entitles you to retain title in goods supplied until payment is made in full?
3. How good is your credit control system? Do you simply send out statements until the debt is 90 days old or longer? If so, you may wish to consider becoming more pro-active. Experience suggests that once a debt is 6 months old, it becomes increasingly difficult to recover.
4. Should I sue for unpaid debts? In general the answer to this must be yes but there must be an element of realism. It is useful here to have some idea whether the customer is due money by another third party or whether they own heritable property.
5. What if your debtor becomes insolvent? This is where terms and conditions can be helpful. In the event that you have a reservation of title in your terms and conditions, you may be able to recover the goods. Similarly if the debtor is a limited

company, your terms and conditions may include the provision of a personal guarantee from one of the directors. Alternatively you will be entitled to submit a claim to the person dealing with the debtor's insolvency and, provided funds are available, you may be paid a proportion of the debt.

6. What if the court grants you an Order requiring the debtor to pay? There are a number of means of effecting a recovery through the instruction of Sheriff Officers or the bankruptcy of a private individual or a winding up Order for a company. It is important to gather as much information about the debtor to consider what is the best course of action.

In the current climate, customers are generally seeking to extend credit. It is important to assess the risks carefully before giving credit. Where you have difficulty with a customer, it may be appropriate to insist on them making payment of future goods by cash with a payment being made towards the arrears. This will allow trading to continue and a reduction in the outstanding amount.

It is also becoming increasingly important to become pro-active in both managing and collecting outstanding accounts. There is a realistic anticipation that a number of businesses will go to the wall over the following months because of trading difficulties. Businesses need to be aware of customers who are exposed to risk and generally review their own exposure to such companies. Systems should be rigorously reviewed with a view to risk being minimised.

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