



Business Life after Brexit

It's been a few weeks since the referendum and I have been reading advice from other accountants and business pundits on how to survive and prosper in a post Brexit world. There is some good advice and some I am less convinced by.

Firstly, some of the best advice is pretty generic, it is applicable to most businesses whatever the conditions. Some examples of this advice;

With a possible downturn in the economy,

- It is important to keep **costs** to a minimum. Costs are made up of two elements, price and quantity. Initially, businesses should concentrate on reducing quantities, particularly by increasing productivity, and by reducing waste.

Tip 1. In most businesses there are costs which make negligible contribution to the business objectives, things that seemed a good idea at the time. So the first thing to do is to review the direct debits and standing orders and find any that can be stopped, then look at activities and people and look for zero or negligible contribution.

- If the economy is going to get more difficult, **sales** are going to get more difficult, some customers are going to fail, and therefore you must start planning now. Firstly, reduce your exposure to customers and potential customers that are likely to fail. Bad Debts can destroy your business. Secondly, you need to diversify your risk by finding new and stronger customers. Thirdly, make sure your credit control is as good as it can be.

Tip 2. For a small business reacting to difficult times cutting sales prices can be suicidal, instead look for ways to improve the value of your product or service, with innovation, branding, up-selling and add-ons.

- And of course we can help you with almost every stage of these business improvements.

But there is quite a lot of advice that I am less certain about. For example, advice to conserve cash by postponing investment, may be bad advice. If you think that the fall in the £ is likely to continue for some time then imports are going to be more expensive, and exports are going to be cheaper. It is not just a good time for exporters, but the pressure is off for domestic producers of many kinds. It is no coincidence that the sale of Tata Steel's UK operations has been postponed since the Brexit vote. But in due course the imported mushrooms, steels, packing machines and such like which compete with those produced by my clients will rise in price reducing price pressures and creating opportunities. A second aspect of the recession of note is the determination of the Bank of England to resist recession by keeping interest rates to the minimum. So you may consider that any borrowings taken on to build your business now are likely to suffer interest only at extremely low rates. For some businesses the present may offer exceptional opportunities.

Stop Press: Since I first wrote this we note the Bank of England has reduced base rates from ½% to ¼%. Point Made.

If recession progresses, further opportunities arise as businesses fail, markets, staff and equipment, become available.

Everything is hard to call, one certainty seemed to be that taxes would rise. Certainly this is what George Osborne warned us before the vote. Since the vote he has promised to reduce corporation tax rates. Now he is out of office and who knows what Philip Hammond will do.

Phil Needham BA FCA