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Small firms fuel economic growth

More than a third of economic growth in 2013 was created by high growth small businesses (HGSBs), a report by Octopus Investments and the Centre for Economics and Business Research (Cebr) has found.

HGSBs are firms that have recorded annual turnover of £1-20 million and an average annual growth of more than 20% over 3 years.

The study found:

- HGSBs accounted for 36% of economic growth in 2013
- HGSBs created more than 250,000 jobs in 2012/13
 - this is 68% of all employment growth in the UK
- the number of HGSBs increased by 18% to 30,000 between 2011 and 2013
- more than a third are located in London and the South East.

The report also made several policy recommendations to help HGSBs realise their full potential. These include:

- allowing firms to defer their corporation tax payments to stimulate capital investment
- continuing to use tax breaks to encourage investment
- measures to combat the growing skills shortage
- a rethink of regional funding and infrastructure spending.

Graham Brough, CEO of the Cebr, said:

"The contribution of HGSBs to UK economic and employment growth is staggering – much higher than a first glance at their small size would suggest."

Simon Rogerson, CEO of Octopus, said:

"This report shows just how vital these companies are to our economy – they are not just the lifeblood but the lifeline to our economic growth and recovery."



Talk to us about your business growth strategy.

Employment Allowance benefits businesses

More than 850,000 businesses have benefited from the Employment Allowance in the scheme's first 6 months, official figures have revealed.

The Employment Allowance reduces the national insurance contributions (NICs) bill for eligible employers, who can claim a class 1 secondary NICs reduction of up to £2,000 through their payroll software.

The figures reveal:

- 856,000 businesses have taken advantage of the NICs discount in the first 6 months of the scheme
- the wholesale and retail trade sector has benefited most, with 191,000 businesses claiming the allowance
- 131,000 firms in the professional and scientific sector and 106,000 in the construction sector have benefited
- Yorkshire and the Humber (75%) and Northern Ireland (73%) have seen the largest take-up rate.

A recent survey by the Federation of Small Businesses (FSB) found that many firms have used the money saved via the Employment Allowance for capital investment:

- 18% of employers used the saving to increase wages
- 17% were able to hire more staff
- 12% have spent the extra money on training
- 18% have invested in equipment, machinery or premises.

John Allan, national chairman of the FSB, said:

“We’re really pleased to see so many businesses already taking advantage of the Employment Allowance.

“Our members have used the Allowance by paying workers more, hiring new people and increasing training. It’s also good to see a quarter of those that used the allowance to hire new staff took on an apprentice.”



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Holiday pay should include overtime, tribunal rules

Thousands of businesses are facing additional costs after a tribunal ruled that overtime should be included in holiday pay calculations.

The Employment Appeal Tribunal (EAT) ruled that employers must factor in overtime when calculating holiday pay, instead of only taking basic pay into account.

The tribunal also said that employees could make backdated claims if it has been less than 3 months since their last holiday.

Following the decision, the government announced that it had set up a taskforce to examine the potential impact on businesses. Business Secretary Vince Cable said the government would “review the judgment in detail as a matter of urgency”.

Business community reaction

John Cridland, director general of the Confederation of British Industry, warned that the ruling could result in job losses:

“This is a real blow to UK businesses now facing the prospect of punitive costs potentially running into billions of pounds - and not all will survive.”

Adam Marshall, at the British Chambers of Commerce, said that backdated claims could pose the biggest problem for businesses:

“What businesses fear most is that these judgments will open the door to backdated claims, which could run into many millions. Firms which have complied with existing regulations are shocked by the thought of having to back-pay holiday entitlements – a change they could not have predicted.”

YOUR MONEY

Saving up among financially secure

The number of households who say they are financially stable has increased by 7% in the year to October 2014, a survey by Legal & General has found.

In a survey of 1,000 adults, 47% said they have money left over after paying off monthly bills and debts. Of these, those who can afford to save are putting away an average of £120 per month - a 17.5% increase on July 2013.

The research also revealed:

- 1.47 million homes now feel financially secure, if the 1,000 respondents are taken as representative of the wider population
- there was a 6% fall in the number of homes saying they were struggling to cover bills
- Londoners are saving an average of £265 per month, up £166 per month compared to 2013

- Wales and the South West saw a fall in monthly savings.

John Pollock, CEO of Legal & General Assurance Society, said 2 important indicators suggested a recovery among household finances:

“Firstly, almost 1 and a half million more homes say they now have some money left over after paying bills and debts. The second indicator is an increase in the amount saved on average each month, suggesting that more families who have money left over are putting money into savings.

“We hope the improved strength of household finances will eventually mean that more people will be able to return to saving for the long term.”



Get in touch to discuss your savings plan.