

# VIEWPOINTS: GENERAL ELECTION REVIEW

In association with:

forbessolicitors.

With a change of Government came new debate over the potential implications for business. Lancashire Business View, in association with Forbes Solicitors, brought leading businessmen together at the Preston Marriott hotel to discuss just what lay in store under the Conservative-Liberal Democrat regime.



PRESENT: Ben Briggs Lancashire Business View Daniel Milnes Forbes Peter Byrne Forbes Stephen Hunter KPMG Craig Morgan Serious Internet/Federation of Small Businesses Ian Mist Yorkshire Bank Jon Price Lancaster Chamber of Commerce Richard Bamford Enterprise Ventures Peter Neill Groundwork Pennine Lancashire Richard Garratt Garratts Insurance Mark Ashton Ashton Hoyle

## Is there more confidence amongst businesses now there is a new Government in place?

**Peter Byrne:** From an employment law point of view lots of smaller clients complain that they've been stuck with red tape in order to deal with employment issues. They are therefore pleased that there has at least been an indication from the coalition Government that one of the things they're hoping to address is red tape which will hopefully make things easier for businesses.

**Peter Neill:** The support for manufacturing is welcome. It's about time that we saw manufacturing put back in order of importance and the private sector given the prominence that it deserves.

**Daniel Milnes:** One of the big criticisms of the former Government was that it seemed to be very much beholden to the financial services sector. That is obviously a component of the economy, but in terms of actual jobs in this part of the world, it's almost virtual.

**Richard Bamford:** There's a lot of pain to be had by business because of the cutbacks in public sector spending and getting the deficit down.

**Stephen Hunter:** There is one very specific

thing that we've seen since the election which is that the HMRC have tightened up on people having credit. We've seen a much harsher approach from them.

**Ian Mist:** That's been happening from February onwards. They've given companies enough time and in their view it came across that "we've helped the companies that we're going to help and we are now going for our money".

**Richard Bamford:** We need to get back to the type of economy we had three or four years ago which was a benign economy where we had continuous quarters of growth. We were used to having inflation control, relatively acceptable interest rates, low

unemployment and business forecasting was much easier.

**Peter Byrne:** Lots of money has been put into the banking sector, but businesses are not getting the full benefit of that. I appreciate the banks are lending, but the reality is that lending is very cautious and whilst we

must accept there's got to be some level of caution, we've got to look at the possibility that they have to take the odd risk in order to let businesses grow again.

**Jon Price:** We've got a couple of issues in Lancaster because so many people are employed in the public sector. It's thought to be 50 per cent which is a huge amount. We've got large university employment and also have the NHS and council. The knock-on effects for Lancaster are going to be huge if they're cutting public sector budgets in our area. We're trying to think how do we cope with that. Retail is already heavily affected in Lancaster and there's a lack of developers coming in, so the problems are stacking up.

**"If we do have a Government for business, it will give us the tools to go out and start creating wealth again."**

**Richard Bamford:** The real challenge that this Government has got is how to get the balance right. The economy is so dependant upon public sector spending that if you do cut too fast and too quick there is a risk that the economy will slip back into recession.

**Peter Byrne:** The North West is identified

as a special case because lots of regional development agencies down south are being closed. However, we had an indication from the Business, Innovation and Skills department that ideally that the Northwest Regional Development Agency will at least remain in some form, although we don't know precisely what that form's going to be.

**Peter Neill:** If Cameron's right and in five years' time we are facing an interest bill of £70 billion on our debts that will be unsustainable for the country. These cuts are going to be savage and they're going to come very quickly and the impact on the local economy is going to be very dramatic and the question is how that then affects what is already an area that's riddled with pockets of deprivation. It's a double edged sword. If welfare reform means the Government makes it harder to get benefits for those out of work then we face a challenge. More people out of work, plus benefits harder to get means large pockets of deprivation in some of the important towns of Lancashire. It's a recipe for social disaster.

**Richard Bamford:** If you think 10 or 20 years ahead then the real scope of the challenge becomes clearer. There are issues regarding public sector pensions, pension



Peter Neill



Richard Bamford

to a business contact in Spain and they said that the initial reaction to our coalition Government was quite positive from the European point of view. That bodes well.

**Stephen Hunter:** Cameron has announced already that capital gains tax is going to go up. Anybody with non-business assets clearly needs to think of a plan to protect themselves. But capital gains tax is not a massive earner and if he needs to raise money he's got to do it through other taxes such as VAT.

**"Around 80 per cent of the UK economy is fed by SMEs. Small business owners are the heroes of the economy that we need to look after, embrace and really support"**

black holes, an ageing population and advances in healthcare which mean more and more expense. There just seems to be a requirement to spend more and more money at a time when they need to be saving it. It's not just a case of getting our economy in good order so businesses can start to flourish again for the next year or two, we really do need to look at where we're going as a country and our public sector debt. It is early days, but what David Cameron seems to be doing is managing the public's expectations.

## What is the situation like for small businesses?

**Craig Morgan:** The Government has made some very encouraging noises about cutting red tape. This is an issue the Federation of Small Businesses has been campaigning about for years. Cameron is softening us for some very difficult times ahead.

**Richard Garratt:** There is a chance that those difficult times might be a little less difficult because it's a coalition. I do not think that either David Cameron or Nick Clegg wants to be the one that's seen to break up the coalition by making huge cuts. They've got to be made, but they could seek to minimise the impact on jobs and businesses in the process. I was recently speaking

**Peter Byrne:** We've had one of the lowest VAT rates in Europe, I think it's generally about 20 or 25 per cent.

**Richard Garratt:** That's why putting VAT up may affect everybody.

**Peter Neill:** I'm sure they'll take a leaf of Labour's book and keep as many stealth taxes as they can, particularly environmental taxes because that seems to be win-win. They get no public backlash from them. Every time landfill tax goes up it costs us in our council taxes but it's not seen as a big ticket issue.

**Jon Price:** The coalition should be braver. They should lower capital gains tax, lower taxes in general and let the economy get on its feet again. Around 80 per cent of the UK economy is fed by SMEs. They don't make huge profits, so therefore the money isn't coming from that sort of tax, it's coming from employing people, PAYE, from VAT. Small business owners are the heroes of the economy that we need to look after, embrace and really support.

**Richard Garratt:** One aspect that could help is that small business rate relief will be a standard, not something you'll have to apply for anymore. Those businesses that either haven't applied or weren't aware they



Jon Price

could apply, will be able to see some positive financial impact that wasn't there beforehand.

**Stephen Hunter:** A really interesting debate is what to do with pensions because I think pensions under the last Government really suffered and lost a lot of their tax reliefs. In many respects that was stealth tax and people didn't realise that they were losing money. I wonder whether they're going to change what Labour brought in which is that people who earn more than £150,000 will lose tax relief on their pensions or at least down to 20 per cent instead of 50 per cent. If they removed higher rate tax relief it would probably raise an absolute fortune.

**Peter Byrne:** There are discussions going on about putting an end to the final salary scheme because it's not affordable anymore. It's just a question of what you do for new employees as an adequate compensation. The days of the final salary scheme are over.

**Jon Price:** We've got one in five children born today who will live over the age of 100. It's an ageing population and that's an increasing problem which is going to get worse, not better. National Insurance used to be for your pension and to cover you for a bit of illness, but it has become a kind of pay for today scheme. We need scrap all these systems and start again. Why do we have all

In association with:

forbessolicitors.



Ian Mist



Richard Garratt



Peter Byrne

these stealth taxes? Let's just pay for what's right. Be plain to people. But instead we've just allowed ourselves to go in all different directions and we still haven't got a vision or a plan for the future.

**Ian Mist:** There is a pension time bomb and a huge black hole in the public sector pension pool. We are facing huge deficits that nobody has any idea how to fill. If we don't solve the problems we have got now they are only going to get worse.

**Mark Ashton:** We got to a stage where the final salary scheme was the norm across medium to large businesses. Governments in the past brought in a fund cap whereby you could only fund the pension to a certain level to meet its current and then foreseeable liabilities. If you funded in excess of that there was a 55 per cent tax charge on the surplus. If you were managing a pension fund you had to manage it to the optimum level. If a gap arose in the underlying assets then the Government had to fill it within a very short space of time. That's what's done the damage.

**Richard Bamford:** The Government is formulating a new economic plan and I would like to see a clearer industrial strategy arise from that. It seemed that the previous model was based upon consumerism and financial services, which was clearly a

massive earner. It was all part of a strategy to allow the city of London to become a global force and create an immense amount of wealth by way of taxes. There needs to be a rebalancing of that and we need stimulate British commerce and manufacturing. Just go to East Lancashire and see all the

**"The economy is so dependant upon public sector spending, that if you do cut too fast and too quick there is a risk that the economy will slip back into recession"**

manufacturing companies there and the investment they're putting in. It is great to see. People are entrepreneurial but we need a tax system that recognises and rewards enterprise. We want people to aspire to being their own boss, running their own firm and creating employment. At the moment the system does not recognise that.

**Ian Mist:** The manufacturing base is still here and it is time to invest in that, because if we do it properly then we can take advantage of what it has to offer. Gone are the days that we can really look worldwide and be a player everywhere in the market. We've got to choose our markets more carefully. Europe is one and China could also be huge.

**Daniel Milnes:** It is not blasphemy to say that there are opportunities for well run firms as others fall by the wayside. Some of my clients have saved dozens of people's jobs in the last couple of months by taking on businesses. They have used the reserves that they've built up through running their organisation successfully and they've been able to step in at the right time.

**Peter Neill:** When we talk about job cuts in the public sector they're not necessarily jobs disappearing, because a lot of the work still has to be done and what's happened over the last decade is we've seen the emergence of very large outsourcing companies. We're going to see more of these council jobs contracted out and we're going to see growth

in those kind of businesses. We could also see a surge in the social enterprise market as well.

**Craig Morgan:** In terms of public sector contracts and public sector tendering, certainly for small businesses, there has historically been a lot of barriers for them to overcome.

**Jon Price:** One of those is the fact that to fill in one form takes seven hours.

**Peter Neill:** That is a problem, but there are signs that there's an acceptance in the public sector too. We're currently working with one significant local authority looking at the detail of clauses in the procurement contracts and making them more user friendly to SMEs and social enterprises.

**Daniel Milnes:** If you do it in a smart way there are ways and means that you can help your local and regional businesses through the tendering process. You can't have a local jobs for local people policy, but you can create a situation where a consortium of smaller local contractors can come together and make a tender bid. People set up a

conditional joint venture and if they win the bid the joint venture kicks in and they go into business together.

**Are company bosses convinced that the economy shows real signs of long-term recovery?**

**Mark Ashton:** A level of nervousness has come back for many firms in recent months. We got some bad news from Greece and markets went into turmoil and all of a sudden everybody's nervous again.

**Jon Price:** Confidence is fickle but we need to realise that there are huge opportunities out there. We're in the middle of a technical revolution. In 100 years time they'll look back at this period and say "Wow, that was a big period of change."

**Peter Byrne:** Britain is at the cutting edge of lots of technologies and the Government should be looking to support those sectors.

**In a recent interview with the Sunday Times, business minister Mark Prisk said that he would look to scrap the regional Business Link offices. Do you think the face of business support is going to change?**

**Daniel Milnes:** We did one of these roundtables some time ago on small business and start ups and one of the topics that came up was what had caused this profusion of agencies, most of which are perceived to be publicly funded. Two things come out of that. Nobody was entirely



Craig Morgan



Daniel Milnes



Mark Ashton

clear which organisation is doing what and who you need to speak to. It is very unclear to whom they would go for the help. Signposting and making sure people could access the right information is vital, but not always available.

**Ian Mist:** It appears that support organisations sometimes make things more complicated.

**Richard Garratt:** If you can get the right people at organisations like Business Link there is money available to help, but it isn't well signposted. They have the right intentions, but the message is not clear.

**Mark Ashton:** Business Link could be more effective in pointing people in the right direction. People struggle to know where to turn on a lot of occasions for support.

**Richard Bamford:** Over the last few years Business Link Northwest has become a truly regional body and improved its performance hugely. If Business Link is disposed of there is a need for small businesses to benefit from

**"There is a pension time bomb and a huge black hole in the public sector pension pool. We are facing huge deficits that nobody has any idea how to fill"**

some sort of signposting mechanisms. It's a lonely job running a small business and sometimes they just need someone to speak to and discuss ideas.

**What will the business landscape look like in a couple of years?**

**Mark Ashton:** Cuts are going to be made and my only hope would be that we've now got a Government that is a Government for business. If we do have a Government for business, it will give us the tools to go out and start creating wealth again.

**Peter Neill:** I can see service businesses doing reasonably well out of the next few years and that is a sector that could flourish.

**Peter Byrne:** The increase in the income tax threshold for individuals is going to stimulate people to actually see the benefit of going out trying to get a job instead of being benefit reliant. That could be a big change.

**Richard Bamford:** For the two year horizon and beyond, I feel relatively confident.



Stephen Hunter

Between now and then it is going to be tough for a lot of Lancashire businesses, but what is going to sustain our local economy is the fact that we have a long tradition of entrepreneurship and innovation and enterprise and building businesses. In two years' time I think banks will be lending fully again, so hopefully the economy will be on an upswing by then.

**Jon Price:** We will innovate and we will survive. That is what businesses do.

**CORPORATE LAW  
FIRM OF THE YEAR** 2008  
2009  
2010

It's simple. If you want the pure grit and determination it takes to get results, the commitment it takes to leave no stone unturned and the passion it takes to go that extra mile, we've got it. We don't settle for anything less and neither should you.

\*North West Business Insider Magazine. Lancashire Dealmaker Awards 2008, 2009 & 2010



forbessolicitors.

For legal advice that is straight to the point:  
Blackburn Office t: 01254 54374  
Preston Office t: 01772 220022  
www.forbessolicitors.co.uk

In association with:

forbessolicitors.