



Advice for Felixstowe Traders in the Current Economic Climate

**Margary
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 **Lloyds TSB**

Leases



Most of us local businesses lease our business premises. A lease is a contract between landlord and tenant which governs the relationship between the two. Often drafted to be in favour of the landlord it is likely to contain many standard terms which are unlikely to mean much to you but in difficult times it may assist you to know its terms in more detail.

Many of you will have leases which were negotiated in better times. Some may be for a reasonably long period, many will have rents which are no longer commercially obtainable and some even have upward only rent reviews, such that when the rent is due for renewal it will not be valued at the market rent but will have to increase regardless. It is difficult to negotiate your way out of a lease – you are contractually bound by it. In the current climate landlords will hang on to tenants and look to enforce contracts, knowing full well that they are better off than would be the case if they looked to find a tenant now. Nevertheless, there is no harm in approaching your landlord to negotiate a lower rent or payment on different terms. If there is a fear that your business may go under and the landlord is unlikely to be able to enforce any terms against you personally, then they may consider an approach. Some rent is better than no rent!

If you are looking for a lease renewal, or to take on a lease, look for a limited term and do your homework as far as comparable properties are concerned. Remember that in difficult times the landlord may prefer a tenant who pays less than no tenant at all.

If your lease is within a year of the end of its term there are plenty of options available to you to negotiate a better deal. Unless you have agreed to exclude the Landlord and Tenant Act 1954 you will have legal protection for your tenancy. In good times a tenant was best advised not to serve notice to terminate the tenancy and agree a new lease, as the rent would likely increase. In the current climate the risk to a landlord of losing a tenant and being unable to find another is real and apparent from any tour of Hamilton Road. If you can establish that the rent currently paid could not be sustained on the open market, there is good reason to terminate your current lease and look to negotiate better terms for a new one.

You can serve notice to terminate anywhere between a year and six months before the end of the tenancy for it to terminate at the end of the fixed term. Consider the timing. The later the notice, the less chance the landlord has of finding another tenant. If agreement can't be negotiated, you can apply to the court to fix the term and rent etc.

Like so many things, there are tactical considerations as well as law to apply. It may well be worth taking legal advice, even if you do the legwork and a good solicitor should discuss your options and the different costs involved.

Contact: Rachel Cronin, Margary & Miller 01394 273333

Trading tips

As Britain emerges from the longest recession in post-war history, many of you will be breathing a sigh of relief. The future must be bright, mustn't it?

The answer largely depends on the strength of your business. Businesses with weak balance sheets and cash flows will continue to suffer and history has shown that more firms collapse on the way out of recession than during it. It is therefore as important as ever to ensure you have a tight grip on your finances to ensure you continue to survive and, indeed, prosper. To assist you, please find below a list of measures that will act as a useful reminder on actions you can take.



- Try to spread your customer base, so you are not reliant on a few customers. Know your customers. This is important in terms of assessing demand for your products or services and also their ability to pay.
- Review credit control procedures to ensure that sales are converted to cash as soon as possible;
- Do not cut back on marketing. You need to nurture your existing good customers and continue to develop new business.
- Build strong relationships with key stakeholders. Know that your main customers will continue to require your services or product; your key suppliers are not going to let you down and; your bank will continue to support you;
- Review business operations and overheads. Perhaps cash can be generated from the sale of surplus physical assets?
- HMRC's Business Payments Support Service is still available, allowing businesses experiencing cashflow difficulties to defer tax payments and agree a payment plan. The service is easy to use, and you should contact it in advance of the due date for payment if you think you will have a problem. The service can be contacted on 0845 302 1435, with more detail available on www.hmrc.co.uk;
- Know how your business is trading. The production of regular management accounts and rolling cash flow forecasts is essential.
- Finally, if the worst happens and you find yourself in financial difficulty take early professional advice. With the right help you may be able to trade out of it.

Ensors Business Recovery team offer an initial free consultation for anyone experiencing financial problems.

Contact: Nigel Mayhew on 01473 220060 or email nigel.mayhew@ensors.co.uk

Credit crunch survival guide Lloyds TSB

Face up to the reality of your situation

When things get tough, it's crucial to know exactly what you are facing and not to bury your head in the sand. Prepare up-to-date figures for your business's cash flow, profit and forecast for the future. Things may not be as bad as you think, but you need to be realistic about what needs to change. Once you know the size of the problem you can think more clearly about how to change it.

Be open to new ideas

Just because a formula has worked for your business in the past it doesn't mean it's the best one in the current financial climate. Look at your business plan and revise it if necessary. Rethinking your approach could lead to new and more productive methods of working, new products, new customers and markets, and new ways of doing business in the future. This may ease the pressure now and put your business in a good position for when the economy begins to recover.

Keep in touch with your bank

It is important to keep your bank fully informed of what's going on in your business and the decisions you are taking. Make good use of your relationship with your bank manager/adviser and use their knowledge and expertise to help you plan the future.

Know your bottom line

Cashflow is vital to any business and so you need to look at it in detail. Monitor money in and out of your business on a weekly, or ideally daily, basis, and look at ways to boost your incomings and reduce your outgoings.

Ask yourself:

- Could your business be more energy efficient to save on utility bills?
- Are you managing your stock cycle as efficiently as possible? Could you reduce the stock you carry, or clear out old dead stock?
- Do you have too many staff? Could any work be subcontracted out as and when necessary?
- Are you spending on things that don't really make a difference to your business, for example stationery, transport, water coolers, couriers, magazine subscriptions?

Look at every part of your business to see if you could save money. Similarly, make sure you are being paid on time, chase unpaid invoices and stop dealing with people who don't pay.

Be proactive

Now is not the time to sit tight and hope your problems will go away.

- Check with your accountant or bookkeeper that they are optimising your position when it comes to paying VAT and tax.
- Think about your business assets and whether you are using them to their full potential. Could you sub-let desk, work or storage space? Could you diversify or offer a new or improved service, for example could you deliver or deliver at more convenient times than your competitors?
- Look to re-negotiate contracts with suppliers.
- Talk to your landlord to see if you can renegotiate your rent.

Stay in control

Don't panic and let things drift. It's vital for the future of your business that you stay in control and know what is happening in every part of the business.

Who can help?

All small and medium-size businesses should use the services of professionals such as bank managers, accountants, solicitors and tax advisers. All of these people can provide valuable support and advice from their specialist perspective to help keep your business on track.

Contact: Belinda Jarvis, Lloyds TSB 07725 426554

Felixstowe Chamber of Trade & Commerce

Felixstowe Chamber of Trade & Commerce is an organisation of local business people set up to further the interests of business and trade within the Felixstowe area. In order to achieve this objective, the Chamber aims to increase its knowledge of such businesses, to provide a social framework for contact between them, and act as their representative body at local, national and international level.

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