

# BusinessPlus+ Newsletter



## INDEX

Steady At 2% .....	1
Managing Changes.....	2
Leadership Is Critical For Culture .....	2
Director's Responsibilities.....	2
Risk Management Strategies.....	3
Government Grants For SMEs .....	3
Taxation Is In The Air! .....	4

## Issue No 115 – May 2015

### Steady At 2%

On the eve of the 2015/16 Federal Budget, it's interesting to note the current conditions that apply in the Australian economy:

- Rate of growth – 2%
- Inflation – 2%
- Official interest rate – Reserve Bank – 2%
- Australian Dollar vs US Dollar has varied and is currently in the late 70cents to early 80cents

This “2% band” indicates an economy that is in “slow growth”, with the only real growth being in house prices.

In the lead up to the Federal Budget, there has been a significant decline in confidence by business leaders relative to the economy, political leaders and the budget process.

One bright spot is the growing strength of the USA economy, which is one of the reasons the AUD vs USD has moved upward. However, exporters would prefer the Australian dollar to move down against the US dollar.

Undoubtedly, these are better conditions for borrowers - reflected in lower interest rates. Most businesses have benefited from lower oil prices.

There's an expectation that:

- there will be no business concessions in the Federal Budget;
- the lower interest rates will continue; and
- the lower petrol prices will continue.

All of these highlight that economic growth is very slow, not near the government's expectations. However, it could have been worse.

Within your business, it will be necessary to continue to monitor the key components, including:

- Debtors
- Stock
- Work in Progress
- Capital Expenditure (is the expenditure necessary?)
- Monitoring Cashflow

The government has announced a new grant to assist in the training of unemployed young persons, if the business is located in specified outer suburban and regional areas around Australia. Details are included in this newsletter.

If you would like to have a discussion with us relative to the preparation of strategies for your business, to meet the ongoing business conditions and for advice on any of the other matters mentioned in this newsletter, please don't hesitate to contact the accountant with whom you normally have dealings.

## Managing Changes

In the previous issue, we discussed identifying your business' mission and asked the question: *"What changes are necessary within your business?"*

We've prepared a list of some of the key items within your business, to assist you in identifying whether you require changes to be made in these activities. These key items include:

- Management
- Team Members
- Team Training
- Customer Service
- Research and Planning
- Marketing
- Sales
- Understanding Accounting Reports
- Benchmarking your business against others in your industry
- Key Performance Indicators applicable to your business
- Cashflow Management
- Growth of the Business
- Succession Planning

If you would like to discuss any of these activities, please don't hesitate to contact us.

## Leadership Is Critical For Culture

Culture affects everything about the business. A leader has a significant impact on the culture within the business.

Leadership is the way that leaders influence team members towards the achievement of an organisation's goals. Leadership can neither be performed by one person nor in isolation. Leadership is about telling people:

- why they're doing certain things;
- what needs to be done to achieve results;
- where are we going;
- who are we;
- what is the business trying to achieve;
- what is the business good at;
- what is happening in the marketplace;
- is the business reacting to what is happening in the marketplace;
- what is the identity of the business; and
- what does this business mean to customers, team members and the wider community?

The leader's role is to encourage the entire team to work together to understand the goals and visions and how those goals are going to be achieved. This will require effective delegation to have been introduced throughout the organisation. The leader doesn't have to do everything. However, it's important that the leader sets the agenda and parameters of the culture for the organisation.

## Director's Responsibilities

The responsibilities of a director include:

- Workplace Health and Safety requirements – have proper procedures been implemented to safeguard employees, contractors and visitors to your work sites?
- Not trading whilst insolvent – it's very important that directors are monitoring cashflow, profit and loss accounts, payments of creditors' accounts, etc. Are payments being made in accordance with negotiated payment terms?
- Cashflow monitoring on an ongoing basis, including:
  - investment in debtors
  - stock
  - work in progress
  - payment of creditors
  - loans
  - taxation
  - capital expenditure
- Environmental issues can be a very significant problem for many businesses. Directors need to ensure that they and their management team are aware of appropriate environmental legislation and rules and regulations that apply to the business operations being conducted by the company.
- Financing arrangements – negotiations with the business' bank relative to overdraft facilities and stand-by facilities, to ensure the business can adequately finance its operations.
- Appointment of Managing Director/CEO – this is probably one of the most important appointments that the board needs to make. The board should set the parameters and then seek a person who can perform the duties and understands the obligations to report on an ongoing basis to the chair and to the board of directors.
- Directors need to allocate some "quality time" on a daily/weekly basis so they can adequately think about the future operations of the business. Directors shouldn't be "working on the tools" all of the time.

## Risk Management Strategies

It's important that businesses have implemented risk management strategies, to protect the business' assets. This could include:

- Awareness of the requirements of the Personal Property Securities Act and the need for various entries to be made on the Personal Property Securities Register, to protect the business' assets.
- Succession planning is very important in every business, not just relating to a general manager or CEO but for directors, members of the senior management team, other management personnel and individual staff members, who have been trained to take someone's place, is an important management consideration.
- Preparing and reviewing duties' lists for every position within the business, ensuring the lists of duties are current so, if the team member is absent, someone else should be able to fill in for him/her.
- There should be regular meetings of each team within the organisation and the leaders of those teams should have management meetings. Meetings should always have an agenda, a chairperson and a minute recorder, with an action list being prepared out of each meeting.
- Insurance covers:
  - Are they adequate for the assets that are owned by the business?
  - What about particular events such as loss of profit insurance? Has the quantum of cover been reviewed? What about the review of some of the other key components of that policy (eg re-instatement periods, fixed cost being covered, etc)?
  - People
  - Key personnel insurance
  - Buy-sell agreements based on shareholding agreements
- Understanding the potential exposure from a contract or a proposed contract. Has the management team and the Board of Directors had a good look at the consequences and the risks for the business in not fulfilling a contract?
- Debtors' exposure – what is the debtors' days outstanding for the business. Are amounts owed by debtors fully recoverable within a reasonable period of time? Is there risk of business failure by businesses owing money to your organisation that could cause immense problems within your organisation?

## Government Grants For SMEs

### **Industry Skills Fund Available To All Industries**

Whilst the Industry Skills Fund identifies "priority industries", this doesn't mean that applicants who don't fall within the "priority industries" are not able to apply. Other businesses are able to apply, however, they will need to clearly show in their application that they have significant growth potential and are preparing to re-position themselves to take advantage of economic opportunities.

From January 2015, the Industry Skills Fund is targeting to deliver 200,000 training places and training support services over a four-year period. The fund primarily targets small/medium enterprises, including microbusinesses (0-4 full-time equivalent employees), which plan to upskill and re-skill their workforces to better position themselves for growth opportunities. If this is what you're planning to do, there is some attractive support available if:

- you're a solvent Australian enterprise that is non-tax exempt and incorporated as a company or as a trust with a trustee that is non-tax exempt and incorporated as a company;
- you have an Australian Business Number (ABN);
- you're registered for GST; and
- you have operated in Australia and filed Business Activity Statements (BAS) showing ongoing trading for at least three consecutive years.

Funding support depends on how many full-time equivalent (FTE) employees businesses have. The funding supports:

- Microbusinesses (0-4 FTE employees) – 75%
- Small Businesses (5-19 FTE employees) – 66%
- Medium Businesses (20-199 FTE employees) – 50%
- Large Businesses (200+ FTE employees) – 25%

Consortia of businesses can apply. These businesses need to be clusters of businesses with a common need or opportunity.

In the first instance, businesses need to apply to a skills adviser contracted by the government. We're able to supply you with details of skills advisers to assist you in the application process. Visit [www.business.gov.au](http://www.business.gov.au) and complete the Industry Skills Fund enquiry form.

### **Training For Employment Scholarship**

The government has announced a new program, "Training for Employment Scholarship"; to support businesses with under 200 staff to hire unemployed young persons aged 18-24 years who are suitable for the job that requires the training program.

The pilot program is available in a number of regional and outer metropolitan areas.

## Government Grants For SMEs (cont'd)

The objectives of the program are:

- To provide businesses with greater access to appropriately skilled workers in their region.
- To improve job prospects for young people by providing incentives for employers to take on new workers.

Businesses are provided grant funding for up to 26 weeks of job-specific training for their eligible new employees.

The training for employment scholarship reimburses businesses with less than 200 FTE employees, with the cost of job-specific training of up to a maximum of \$7,500 (including GST), after the payment has been made and the cooling off period has expired, to provide the new employee with training required to do their job.

Support is available for eligible businesses in the following locations:

- |   |                              |
|---|------------------------------|
| • NSW – Central Coast                       | • VIC – Mornington Peninsula |
| • NSW – Hunter Valley (excluding Newcastle) | • VIC – Melbourne-West       |
| • NSW – Sydney-Outer West/Blue Mountains    | • SA – Adelaide-North        |
| • QLD – Sunshine Coast                      | • WA – Perth-South           |
| • QLD – Ipswich                             | • TAS – Launceston-Northeast |
| • QLD – Townsville                          |                              |

Applicants must be a company located in one of the above mentioned target regions, employing one or more eligible participants. The employee must be employed for at least 25 hours per week, either on a permanent full-time, permanent part-time or a fixed term contract for at least 12 months.

## Taxation Is In The Air!

The government has recently released a paper relative to “Think about tax matters, possible changes” and are asking Australians to make submissions on things they think need to be changed. It’s a very well-researched and interesting paper with many facts but also rhetoric and slogans. Whilst many ideas are being raised by various politicians, media commentators and special interest groups, the fact that this has started a conversation on tax for the entirety of all Australian taxes is a good idea.

Some of the main points to consider is how low and narrow our GST base is. Currently we have one of the lowest GST rates in the world which only covers 47% of national consumption, compared to New Zealand which has a GST rate of 15% and covers 96% of national consumption.

Corporate taxation is about 20% of total Australian tax revenue compared to OECD average rates of less than 10% and Australia is one of the few places in the world which allows the imputation system for corporate dividends to be offset against tax payable and even refundable if greater than the tax payable.

Individual tax obligations in Australia are about 40% of total tax revenue which is well above OECD averages. Australia’s aggregate tax burden is 27.3% which is relatively low compared with other developed countries.

Let’s hope that the current policy goal of lower, simpler and fairer taxes comes to fruition.

If you would like to lodge a submission, the closing date is 1<sup>st</sup> June 2015.

### An Important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*



**Our business, is understanding *your* business.**

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