

insight LONDON

LIVE. WORK. GROW. REPEAT.



NEWS AND VIEWS FROM AN SME'S
PERSPECTIVE

JANUARY 2017 | EDITION 1
CARL CARTWRIGHT

LONDON

LIVE. WORK.

GROW.

REPEAT.

Recent years have brought about major shifts in the economy which have impacted social and cultural practices in the everyday life of many workers in the UK's capital. Currently, large and small SME's are undergoing many challenges to adapt to the current climate of contemporary London.

London is possibly one of the most iconic hubs for small startups and large businesses. The UK's capital is full of creative and tech geniuses who innovate, lead and set the benchmarks across multiple industries. As a result, established businesses are now laying their footprint in UK's most dynamic city.

However, like in any other area, companies in London face challenges to maintain and advance the required capital in order to grow.

This guide outlines the most relevant topics for businesses to tackle the economic changes and continuously thrive and expand.

For any business, research provides context and gives clear direction. For example, companies that approach marketing by building a foundation first, achieve a higher return on investment by 42%.

Which is why Insight London exists; to provide you, the SME's of our capital, with further research, insight and anecdote that you can take away and implement in your own businesses.

I'm Carl Cartwright and I'm the editor of Insight London. My background is in helping SME's in and around London improve their cash-flows and make the equipment purchases they need. I hope Insight London serves you well.



CARL CARTWRIGHT
National Account Manager
carl.cartwright@shireleasing.co.uk

CONTENTS

03

AUTOMATIC ENROLMENT:

Added labour costs

04

LONDON STANSTED AIRPORT PLANS FOR £130 MILLION NEW TERMINAL

05

THE STATE OF FLEXIBLE WORKING IN LONDON

06

ATTRACTING TALENT IN LONDON:

The Impact of Travel and Accommodation Costs

07

HOW DIFFERENT IS LONDON'S ECONOMY TO THE REST OF THE UK?

09

LONDON BUSINESS RATES TO INCREASE UP TO 120% AND KILL MORE BUSINESSES

11

LONDON AND STREET FOOD CULTURE

12

LONDON SECURITY CONCERNS FOR TRAVELLING WORKERS

13

HMRC IS TO FIGHT TAX EVASION WITH NEW LAWS

14

LONDON STARTUPS LOOKING TO GROW BUSINESS

15

INNOVATIVE AND AGILE THINKING:

SHIRE LEASING





AUTOMATIC ENROLMENT:

Added Labour Costs

Due to legal requirements more and more companies have to auto enrol their employees in a pension. In fact, this number will double in 2017. It is estimated that 800,000 of all UK SME's are set to reach their auto enrolment staging date in 2017. With many startups and SME's being based in London, it is important to understand what challenges auto enrolment will create and how to overcome them.

According to Will Wynne, a co-founder and Managing Director of Smart Pension: "2017 is going to be a challenging year for hard-working small companies."

"We know initiatives like auto enrolment have a disproportionate effect on smaller firms, where the founder is often the boss, the FD, the HR manager, the works supervisor, the first aid officer – and everything in between."

This is highly relevant to private

businesses based in London, which, according to 2015 data, is home to 976,000 of them.

Unfortunately, with the introduction of auto enrolment, the majority of such SME's have already noticed the increasing business costs over the years. As Mike Cherry, Chairman of the Federation of Small Businesses, points out: "Government should not be putting in place a mandatory new tax regulation that will cost businesses on average £2,770."

This truly doesn't help to boost UK's economy. In fact, the UK's prosperity depends on SME's as they make up 99.8% of all London's private sector businesses, whilst employment in these SME's represents 49.8% of all London employment (2.3 million).*

Mike Cherry states, "We now face a poor payments crisis. If this is not tackled, then every year 50,000 businesses will die – leaving £2.5 billion of GDP missing – purely due to late payments."

However, there is the other side of the coin. According to recent reports, 72% of SME's say that

these extra labour costs won't get in the way of their growth plans. Whilst some of the London and South-East startups are reducing staff, others explore various external funding opportunities to reduce costs but maintain quality of their products and services.

SUMMARY

The current UK economic landscape and government decisions don't favour SME's ready regions like London. When hiring a new person companies now need to consider not only salary and other service costs, but also her or his pension. This puts pressure on cash flow which makes it difficult for companies to compete and grow within their markets. This is why small and large businesses should make themselves aware of equipment leasing services and its benefits. Leasing gives flexibility for SME's to acquire necessary equipment when they most need it, at a low and more affordable cost. Basically, get more for your buck, and grow your business using leading edge equipment and technology.

LONDON STANSTED AIRPORT PLANS FOR £130 MILLION NEW TERMINAL

London is home to some of the biggest and fastest growing UK businesses, startups and even airports.

In 2013 London Stansted Airport was taken over by Manchester Airports Group (MAG) and kept on growing ever since. With an increased number of passengers the airport plans on building a new £130 million terminal which will increase the prosperity of London and surrounding area.

The key objective of the plan is to improve passenger experience and nearly double the current number of passengers* by making full use of the airport runway. This means that the airport will be able to serve around 43 million passengers per year.

This is not the first improvement MAG have carried out at Stansted Airport. The airport has already benefited from the £150 million investment** that has resulted in better facilities, additional 1000 jobs and 40 flight destinations. This has also increased passenger rates by nearly seven million.

Stansted is already one of the UK's fastest growing airports, and if everything goes to plan in around three years, its capacity and performance will reach new heights.

According to Stansted Airport's CEO, Andrew Cowan: *"The planning application and concept design for the new arrivals building marks the latest phase in our transformation and enables us to support further growth over the next decade."*

"Our investment will boost competition and enable the airport to play a bigger role in supporting economic growth, jobs and international connectivity across the East of England and London."



A better and bigger airport means not only more customers coming to the UK but also a better business infrastructure and opportunities in the near areas like Tower Hamlets, Newham Forest, Redbridge, Havering, Shoreditch and others.

SUMMARY

It is evident that the new terminal will have a positive impact on multiple businesses. So, whilst it is being built, it is time to explore various opportunities like buying new equipment, expanding office space, new staff recruitment and marketing that will get your business ready for around 20 million additional prospective customers. All of this requires quick and easy additional investment, which would help companies to get that necessary and instant boost. For example, if you are running a coffee shop, leasing your catering equipment could benefit your business as instead of a large one-off payment you would be gradually covering the cost through multiple instalments, leaving you with a 'healthy' cash flow for further investments.





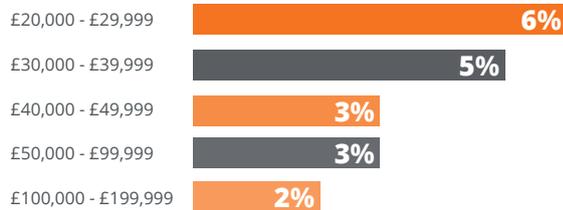
THE STATE OF FLEXIBLE WORKING IN LONDON

Flexible working has become an emerging conversation within the business space over the past couple of years. This is a reflection of the UK's workforce becoming more and more diverse. Mostly, employers will be concerned with accommodating requests but still having to pay overhead 5 days a week.

In London, flexi hours isn't as accommodating as the rest of the UK. As of 2016, only 3% of job advertisers, with an annual salary of £20,000, in London mention flexible working. London is seen as one of the worst places to find a job if you're looking for such type of work. However, the data only increases by 1% as the mention of flexible working in job advertisements hits 4 or 5% the further North one goes. On the other hand, the stats configured by Timewise illustrate that 6.2% is the national average of 3.2 million job advertisements analysed over 122 job boards that offer flexible working.*

The following table, provided by Timewise, highlights that in fact, as pay rises, flexibility falls.**

Relative proportion of jobs advertised with flexibility, by salary:



London has become a hub for those who desire more flexible working opportunities. The common talking point is often predicated on how employees feel and their productivity. Head of CIPD London, David D'Souza states, "there's a clear divide in the quality of working lives between London workers who work flexibly and those that don't." He goes on to say that those who work flexi hours are happier and that there is too much emphasis placed on the 9-5, as it equals more "time spent at the desk and not enough on people's actual outputs."

In addition, the same report shows that 69% of flexible workers living in London are satisfied or very satisfied with their jobs, as opposed to 52% that work traditionally.***

Startups and SME's often work outside traditional working structures. This is often based on psychology. Founders of startups have a desire to grow within the market, which is often a shared

ideology amongst their employees. These types of businesses have somewhat of a contemporary way of thinking that is shared amongst startups and SME's in the London area.

SUMMARY

It is clear that flexible positions and roles are in short demand, but the desire for flexible opportunities by workers is high. The notion of this type of work can differ depending on context, but data shows that more workers are happier and fulfilled with flexi hours.

In the context of small business, working flexibly seems to be a successful way to operate, particularly for a startup. In fact, this could be encouraged by offering portable equipment to new employees which would allow them to work from home and so be more productive.

This would also allow companies to reduce their overheads, and, as a result, improve their cash flow. Creating similar flexible working opportunities would help your company to attract the best talent out there, not just the talent that is prepared to come to your office.

HOW DIFFERENT IS LONDON'S ECONOMY TO THE REST OF THE UK?

Recent reports have highlighted London's vastly different economic climate to the rest of the UK. Government analysis shows that business rates have risen and will continue to do so, resulting in local businesses in the capital being affected more so than the rest of the country. This includes shops, bars, restaurants as well as small to medium enterprises.

Since 2008 London rents have risen exponentially. As of the year 2013, London's Silicon Roundabout attracted 15,000 new companies around the Shoreditch area. For the rest of the UK, the scenario is different, with rents falling or stagnating because of the lack of demand.*

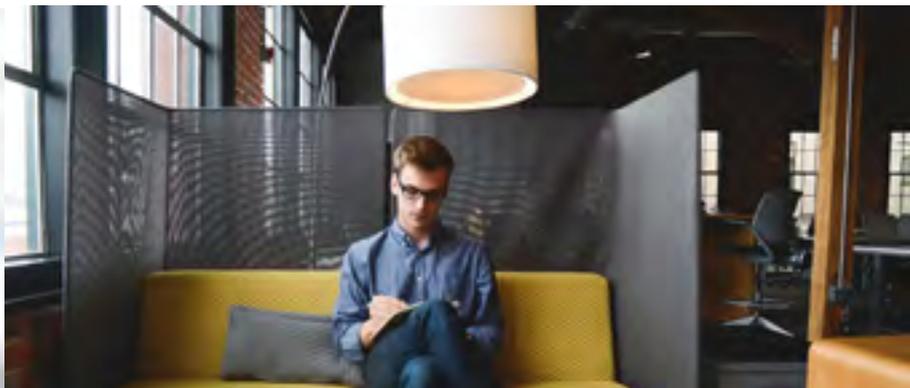
In correlation, property service firm JLL conducted an analysis that shows business rates on office space is likely to increase dramatically in most areas, further illustrating that good transport links and an array of office space is the reason for such an increase in popularity. Other business sectors have felt change. Local Shoreditch business, The Comedy Cafe, was

forced to shut down due to an inability to pay the near-doubling rent cost which went from £120,000 to £230,000 a year.

The Comedy Cafe owner stated:

"Shoreditch became an area for artists and rents went up. Then the IT crowd came in and rents skyrocketed.", which further emphasises the increase in business and workers coming into the city affecting London's economy dramatically. For these companies, asset finance and leasing could be beneficial.

Flexioffices states as of 2016, Shoreditch accounts for 3.14% of SME's in London**, and Figure 1 shows the projected rates up to 2017/2018 for offices:





The table highlights a 142% monthly increase in Shoreditch. Going from £12 per sq ft to £239 per sq ft.

As for the rest of the UK, Figure 2 gives us comparable insight.

What's evident is that cities that are within close proximity to London garner the highest rate increase, for example, Cambridge and Reading. Other rate increases are marginal and will fall in prominent cities such as Birmingham and Leeds.

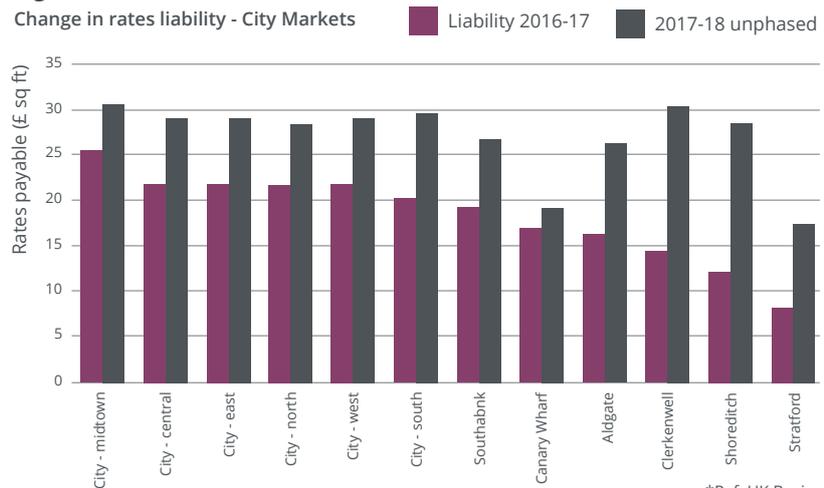
SUMMARY

Overall, the data emphasises the comparable economic rates of London to the rest of the UK. Shoreditch highlights London's economic difference to other places in the UK, displaying an increase in business rates that affect SME's, which has unfortunately led to some local businesses closing.

Figure 1*
Change in rates liability - Regional offices



Figure 2*
Change in rates liability - City Markets



*Ref: UK Business Insider

LONDON BUSINESS RATES TO INCREASE UP TO 120% AND KILL MORE BUSINESSES



The majority of people working, living and just hanging out in London may have already heard about the sad closure of famous Comedy Café* based in Shoreditch. This is one of many examples, and a result of continuously increasing London business rates that are about to increase even more, up to 120%.

As Carter Jonas research suggests, it is likely that the fees for new and refurbished Grade A office space over 5,000 sq ft will increase as follows**:

Forecast Business Rates Increases By Sub-Market*			
Location	Rates Payable (£ Per Sq Ft pa) New/Refitted Mid-Rise Grade A Office Space Over 5,000 Sq Ft		
	2016/17 (Typical)	2017/18 (Typical)	Forecast Increase (%)
West End - Soho, W1	33.00	38.75	17.4
West End - MAyfair, W1 / St James's, SW1	50.00	58.75	17.5
West End - Victoria, SW1	29.00	36.25	25.0
City of London - Insurance District, EC3	20.00	32.50	62.5
City Fringe - Clerkenwell / Shoreditch, EC1	14.50	28.75	98.3
City Fringe - Spitalfields, E1	14.50	28.65	97.6
Midtown - King's Cross, N1	22.00	36.90	67.7
Midtown - Holborn, WC1	25.50	32.10	25.9
Midtown - Covent Garden, WC2	28.50	34.40	20.7
South Bank - London Bridge, SE1	17.75	30.00	69.0
Docklands - Canary Wharf, E14	16.50	22.50	36.4



The forecasts are shocking. According to other data, the biggest rise is most likely to be for retail properties. Some of the analysts predict that business rates will increase from 80% to 120% for shops on Oxford Street, Regent Street and Bond Street.

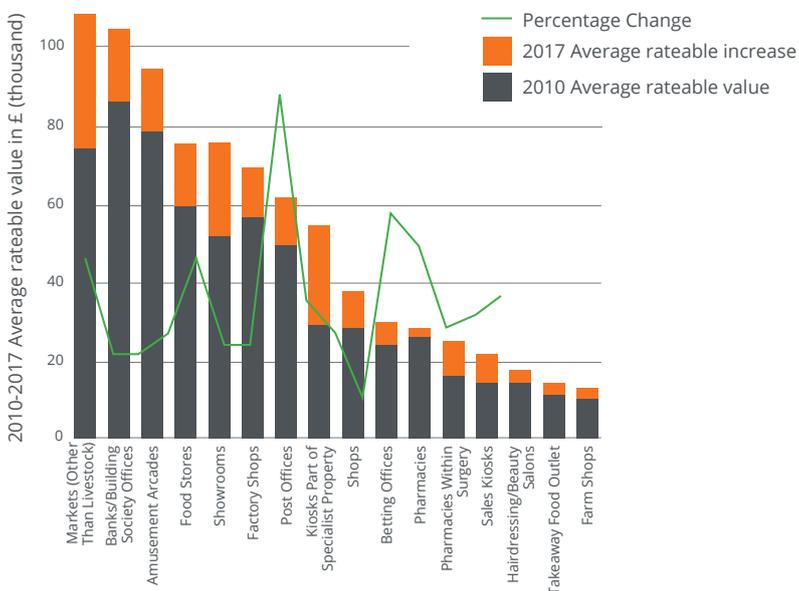
Increasing fees have already had a negative impact on London's SME's. Even businesses like Shoreditch's Comedy Café that ran for 25 years can't keep up with skyrocketing rates. To soften the situation, The Government has proposed a relief scheme to postpone the increase of business rates by six months^{***}. However, this is not enough time as after that London's businesses will have to pay £885m more annually due to the revaluation. With the biggest increases across the UK's capital, it is only a matter of time before another business closes its doors.

In the below figure VOA Administrative data indicates how business rates will increase across every sector. As data suggests, the retail sector will suffer the most as the fees for such companies will double^{****}, whilst pharmacies will be affected the least.

Increasing business rates, rent and other fees disrupt economy and trap both small and large businesses in a corner. Not only that, the majority of London based SME's are afraid of the increasing minimum wage which is set to go up to £7.5 per hour^{*****}.

SUMMARY
 It seems that all of these regulations are designed to destroy the UK's and especially London's businesses. The increased fees mean that companies would need to reduce their staff number, increase the price of their products or look for alternative opportunities to avoid being killed. Cutting down the costs could be an easy solution to overcome this challenge. However, it won't benefit businesses in the long run. Sooner or later companies would need to explore smart financing options such as crowdfunding, private investment or leasing.

Average rateable value of retail sector businesses across London



*Ref: Standard

****Ref: The Telegraph

**Ref: Costar

*****Ref: East London Lines

***Ref: The Telegraph

*****Ref: Mirror

LONDON AND STREET FOOD CULTURE



There is a perception that the UK's capital is a corporate sphere, where traditional working structures are mirrored by daunting living costs. Under such perceptive layers, London is becoming an epicentre for multiculturalism. Many parts of London offer a unique insight into street culture and the dynamic palette of tastes in the popular and the niche, reinforced by their culinary offerings.

East London, in particular, is a sanctuary for multicultural street food, offering teenagers to working millennials an ability to grab high-quality food on the go. Highlighting the potential value of executing a street food business.

The common British perception of street food was often an image of a burger truck outside the football stadium serving meat and fried onions. Street food is perceived very different now, and over time the culinary experience has gained economic value with more and more restaurants and food vendors serving street food inspired by the taste of their homeland.

More recently, big businesses have adopted this trend. IKEA in Shoreditch launched a pop-up DIY restaurant inspired by the fundamentals of street food culture that offers people the opportunity to cook in their space for free.

According to The Food People, an estimated 2.5bn people consume street food globally. Saiphin Moore, Head Chef of Rosa's Thai Cafe reinforces the growing trend, stating in an interview conducted by Daily Mail that "street food is showing no signs of slowing down". Therefore, there could be a rise of street food vendors and restaurants in the coming years. And SME's in this market will be looking at viable ways to save money.



The food industry is expensive. Running a restaurant is expensive. And more often restaurants are forced to close. An accountancy firm, Moore Stephens, conducted research in 2015 that showed more restaurants closed post-recession than they did during the recession by 50%. As the market is crowded emphasis is placed on managing the cost of inventory as many within the field highlight management of inventory as a crucial reason why restaurants go out of business. Leasing of catering and restaurant equipment can be beneficial in managing structured payments and preserving vital cash.

Mobile street food vendors and vehicles can fit within this realm. It is perhaps the most authentic street food experience one may have, so leasing a vehicle which is a bulk of cost for street food vendors allows for cost effective spending across other aspects of the business such as ingredients and staff.

It's evident that street culture is appealing to a mass audience, and street food is a prime example. This type of serving has become somewhat of a fashionable idea with London areas like Shoreditch being a source of inspiration. Most recently, a street food restaurant opened in Northampton that is representative of the 'culture of Shoreditch'.

SUMMARY

As foodies salivate at the thought of new and emerging restaurants, SME's/owners will be looking at effectively managing their inventory and budget through methods like asset leasing to enable as much room for success in a saturated market and risky business environment.

LONDON SECURITY CONCERNS FOR TRAVELLING WORKERS

As the UK's most populated city, London boasts the highest amount of employed citizens. In addition, it's safe to say it bolsters the most diverse workforce in the country that also has commuters from surrounding cities that travel in for work. Research by the Office for National Statistics shows as of 2015, 454,700 work in the City of London alone. Representing more than 1 in 100 of the UK's workforce. Not only that, London is a popular destination for tourists who make up a big part of London commuters.

This results in places like the London Underground being overly busy during peak travelling times. Statista provides data representing the number of London Underground passengers from 2000 to 2016 with a distinction between ordinary ticket holders and season ticket holders. The data shows a steady number of season holders from

2000 onwards, whilst the amount of ordinary ticket holders has increased by 70% in the same span of time. As of 2016, 820 million passengers travel with an ordinary ticket and 530 million with a season ticket. This reinforces the rise in the number of people commuting into London, but may also indicate the diversification of people commuting into London for other reasons. Either way, the numbers indicate a high volume of people travelling. This raises a number of issues around the safety of commuters and workers. Big crowds of people, packed busses and underground trains as well as streets and other premises can be a perfect soil for crime and accidents to happen. The need for workers to feel secure in their day-to-day activity is ever more important. Specifically with more and more people entering the London workforce.

With many employees travelling during work hours, alternative ways of transportation may be beneficial. One such avenue could be for companies to lease vehicles - a 'pool car' for workers, maybe electric, to use during the day. Other travellers would benefit from additional security equipment, such as security cameras, to ensure safety and boost confidence.

SUMMARY

Overall, as travelling workers rise, bolstering security is a must to ensure the safety of commuters. As businesses develop and SME's grow, ensuring safe travel options aren't just isolated to London publicly, but are important for the efficiency of businesses in which employees make up the very fabric of their company and its ability to run and grow on a daily basis.



HMRC IS TO FIGHT TAX EVASION WITH NEW LAWS

HMRC is introducing more and more penalties. One of them is a tax evasion penalty. From the 1st of January 2017, anyone who helps others to evade tax will be shamed publicly and penalised with the fines ranging from £3000 to 100% of the tax they helped to evade. The fines will depend on the figure which is the highest.

Tax evasion costs the government an incredible £16bn each year. In fact, the tax 'gap' for 2013/2014 was at £34bn.

With the new laws in place, it will be the first time HMRC will be able to bring civil penalties against individuals. People who advise, plan or help in other ways to move funds offshore will be directly responsible for what they do or did. Not only that, such individuals will be publicly announced through HMRC selected media.

The current laws are stricter. In the past companies were taken into a corporate criminal prosecution, only if it was proven that the board of directors were aware and involved in facilitating the evasion. Now everything is different. One employee facilitating fraud is enough for a whole company to go to court.

To soften the whole situation, the government has also introduced an 'opportunity' for companies to correct their past tax evasion. However, HMRC will be quick to penalise those taxpayers who have failed to do so by 30 September 2018.

As Theresa May claims, "It doesn't matter to me whether you're Amazon, Google or Starbucks: you have a duty to put something back, you have a debt to fellow citizens and you have a responsibility to pay your taxes".

SUMMARY

Bigger taxes and more regulations can cause panic amongst SME's and its employees. According to new laws, everyone, to some extent, is now liable for their company's finances. Therefore, startups and SME's need to make sure that their financial situation is transparent.



LONDON STARTUPS LOOKING TO GROW BUSINESS

London's highly creative environment makes it a breeding ground for budding startups and SME's looking to make their mark in their market. To grow their business, many look for investment and funding to bring their ideas to life. Although crowdfunding is an option for many, success rates are scarce in the grand scheme of things, with many successes coming from an initial capital injection to market the crowdfunding campaign itself.

Funding is vastly important at an early stage, because SME owners, like the rest of London, have to manage the cost of being there. Putting potential financial strains on their business. Therefore saving money and spreading

costs garners further importance. Investments into businesses in London have reached an all-time high. With the following companies making up 50% in the last quarter of all venture capital investment as of 2015:*

Deliveroo - £46 million
MADE.com - £39 million
Secret Escapes - £39 million
Prodigy finance - £12 million

The Mayor of London's Tech Ambassador for the city, Eileen Burbidge states, "We are now starting to see more later-stage investments which support the scaling of more London tech businesses."* However, London's infrastructure strength will have to mirror sentiments of Burbidge and the numbers listed above in order to maintain its success.

Chances are, money will go elsewhere. And it perhaps needs to, to build a stronger infrastructure for the city that supports the rapid growth and investment into startup

companies that create more jobs, require more resources and infrastructure to support technological and digital growth.

SUMMARY

Overall an access to funding for SME's can be scarce in a climate that many are suggesting can be difficult for these types of businesses. There is a need to support the future of London's digital economy by way of investment into startups that have the potential to become big players in the market. But there is also a need for investment in other aspects of the London infrastructure so startups and the digital economy can thrive to its maximum potential.

Other area like London Rail will need to strengthen if investment upwards of £46 million for startups is a pattern. As the workforce in London continues to increase with SME's expanding, investment into other areas becomes vital in making everyday life for workers more efficient.

INNOVATIVE AND AGILE THINKING: SHIRE LEASING

Most of the time business growth depend on resources being available for ideas to be executed within the parameters of budget and deadlines to its maximum potential.

As budgets shrink and business rates increase, the majority of large and small businesses are forced to adjust their business plans and optimise their expenditure.

Leasing is a cost effective solution to help maintain targets and spending across multiple aspects of the business.

Since 1990 Shire Leasing PLC. has been an innovative and agile company working with hirers, manufacturers, resellers and distributors. We offer competitive rates, straightforward documentation, and fast, measured responses. Every year we work with thousands of UK SME's who partner with Shire for bespoke finance solutions.

As someone with over 15 years of experience in this industry, I have assisted businesses to succeed efficiently through leasing. Helping to manage costs and not deprive other sectors of the business, to the detriment of the overall company.

Our efforts to help SME's were acknowledged as Shire became an Independent Lessor of the Year at the Leasing World Awards 2016.

With a particular knowledge and interest in the London area, I am keen to assist new and current SME's to exceed established goals.



CONTACT ME

CARL CARTWRIGHT
National Account Manager

Mobile: 07968654304
Telephone: 01827 68939 Ext: 280
Email: carl.cartwright@shireleasing.co.uk

www.shireleasing.co.uk



Find me on LinkedIn.



 **SHIRE
LEASING**
Part of Shire Business Group