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This month, we look at the UK businesses who are forgetting to invoice and find that it could be costing up to £3.7 billion in lost revenue. We ask how your business would fare if it lost a key member of staff due to long term illness or absence. We also look at how businesses are becoming savvier with their employee benefit packages. And in Your Money news, we consider how next year's cut to the lifetime and annual pension allowances might affect your tax position.

Forgetting to invoice costs SMEs billions

The UK's small and medium sized enterprises (SMEs) could be losing up to £3.7 billion as a result of poor internal systems and financial accounting, according to a recent survey by business software provider Exact. Some SMEs admit to failing to invoice for services worth more than £10,000.

The nationwide survey found that:

- One in five SMEs have forgotten to invoice for goods or services at least once
- 12 per cent of these were for jobs and services worth between £5,000 and £10,000
- Six per cent were for jobs and services worth more than £10,000.

The results are surprising considering that worries about financial pressures, such as cash flow and debtors, is one of the biggest causes of stress for 23 per cent of SMEs. This in turn is affecting other businesses in the supply chain, with many deferring payments due to cash flow problems, and in some cases leaving businesses unable to pay staff on time.

Hartmut Wagner, managing director of Exact, said that many SMEs who are eager to grow may not be 'doing themselves any favours' because of poor cash flow management.

With a quarter of SMEs saying that they don't feel in control of their accounts and business finance, it's not surprising that businesses are turning to advice from their accountants. More than half (54 per cent) of respondents said they trust their accountant more than their own business partners (37 per cent).

We can improve your business's internal processes and help maintain a healthy cash flow.

Protecting your business against key personnel loss

Research has found that 55 per cent of businesses believe they would cease trading as a result of the long-term incapacity, illness or death of a key employee. However, only one in five companies has key person insurance in place to provide cover in such an emergency.

Other findings from the Scottish Widows 2013 Business Protection Report include:

- 77 per cent of businesses believe they have at least one employee whose absence would 'seriously impact the profitability or survival of the business'
- 42 per cent of businesses now have liabilities such as business loans, mortgages and overdrafts - up from 34 per cent in two years
- 34 per cent of businesses with liabilities have no financial plans in place for the loss of a key person
- Delivering commitments and promises to customers was a priority for 68 per cent of businesses; insuring a key person was a priority for only three per cent.

Small businesses in particular would be adversely affected by the loss – temporary or permanent – of a key person. This is because almost three quarters of respondents were the owner, founder or partner of their company, or even all three.

It may be worth considering key person insurance to provide cover for the business in the event of financial losses arising from the absence of an important member of staff.

Your key people are employees who possess skills or knowledge that nobody else in the firm holds or that it would be extremely difficult, expensive or impossible to recruit into the business; company directors, lead salesmen and certain technical staff, for example.

Talk to us to for more information about key person insurance and other types of business protection.

Getting savvy with staff benefits

Employee benefits, such as childcare vouchers or a pool car, can help businesses to improve staff retention, absence rates, productivity and relations.

Recent research by the Chartered Institute of Personnel and Development (CIPD) shows that more employers and HR professionals are aligning their staff benefit packages with the company's objectives. The research revealed:

- firms focusing on delivering great products or services for their customers are more likely to provide training and development benefits
- companies focusing on cost are more likely to offer voluntary benefits such as discounted products and services or luxuries
- workplaces employing a high percentage of graduates tend to offer defined contribution pension plans to 'attract and retain valuable talent'.

Transparent and effective communication around employee benefits is also more likely to help firms experience:

- good employee relations
- increased productivity
- lower absenteeism
- improved staff retention
- lower levels of dissatisfaction about pay.

Charles Cotton, reward adviser at the CIPD, said: "HR professionals continually have to ensure that the reward provisions they offer in the workplace are in keeping with the shifting nature of work, and are aligned to both the needs of business and employees and integrated with other aspects of people management strategy. Failure to do so will result in inappropriate achievements, skills and behaviours being rewarded and recognised."

Could your business take advantage of staff benefits? Contact us to discuss.

YOUR MONEY

Pensions allowance cuts loom

On 6 April 2014, the annual and lifetime allowances for pension contributions will be reduced. It's likely to affect a greater number of individuals than official Government estimates suggest, according to pension provider Standard Life.

What's changing?

- The maximum value of pension savings an individual can accrue in their lifetime before a tax charge is triggered will fall from £1.5 million to £1.25 million
- The maximum amount you can make in pension contributions each year without attracting a tax charge is reducing from £50,000 to £40,000.

Who will be affected?

According to Standard Life, the change to the lifetime allowance will immediately affect 30,000 people and 360,000 will be affected in the longer term. This is more than the one per cent of pension savers that HMRC originally envisaged would be affected. Nearly £250 billion worth of accumulated pension savings could be at risk, according to Standard Life.

Plan ahead and talk to us about the different options to protect your pension savings.

NOVEMBER'S MONEY FACTS	
Current bank rate	0.5 per cent
Quantitative Easing total	£375 bn
Current inflation	2.7 per cent