

MAY 2010 EDITION — REPORTING ON FINDINGS FROM QUARTER 2 - APRIL 2010

The Barometer Project

Developed in The University of Nottingham Institute for Enterprise and Innovation (UNIEI), UKBB and UKBAB are on-line surveys operating in parallel with each other collecting the views of both businesses and advisers on a wide range of subjects.

Surveys are open to anyone active in either of the two 'communities' and allow a comparison of their views on the same issues, thereby providing a useful indication to government of how policies and other government measures are impacting upon businesses.

To view current and previous analyses documents and for further information, please visit the [UK Business Adviser Barometer](http://www.ukbab.ac) at:

www.ukbab.ac

and/or the [UK Business Barometer](http://www.ukbb.ac) at:

www.ukbb.ac

Alternatively, contact

admin@ukbb.ac

Welcome to the report on the 2nd quarter survey of the Barometer Project for 2010. A total of 288 panellists responded to the UKBAB and UKBB questionnaires; included here is a full analysis of the UKBAB findings together with a selection of panellists' comments.

A list of questions for each of the two surveys is given below.

UK Business Adviser Barometer – Q2 2010

1. How confident are you that the UK economy will improve over the next twelve months?
2. Do you think a hung parliament would... [improve/worsen economic prospects]?
3. Of the following, which do you believe will have the greater influence upon the outcome of the election? [media or manifesto]
4. To what extent have your pension arrangements in client businesses been adversely affected by the recession?
5. As an alternative to private sector advice and support, to what extent do you think national, regional and local government should play a direct role in business support?
6. In order to facilitate benchmarking for your business, to what extent would you be prepared to divulge information on the following*: - [profit margins, remuneration, wages and salaries]

Plus the five regular trends questions.

[Over the past 3 months has the number of clients seeking advice increased, over the last 3 months have you witnessed a change in the number wanting to start up a business, access to finance, shortage of skilled or qualified applicants, In your estimation, what proportion will have ceased trading in the next 12 months]

UK Business Barometer – Q2 2010

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6. In order to facilitate benchmarking for your business, to what extent would you be prepared to divulge information on the following*: - [profit margins, remuneration, wages and salaries]

Plus the five regular questions asked with a view to revealing trends in growth, skills, finance, and market demand as they apply to your business.

[Over the past 3 months has your business [expanded/declined], Over the next 3 months do you expect your business to [expand/decline] Lack of Finance, Skills Shortages, Low market demand,]

UKBAB75 April 2010 Analysis

The UK Business Adviser Barometer seeks to shed light on how advisers perceive that smaller businesses are coping with the current state of the economy and provides information to enable the designers and implementers of business support policy to be more effectively informed. Questions are focused on topical issues and the survey is deliberately kept short, but additional comment on problems facing business is invited as part of the survey submission and is reported within the analysis.

The second quarter survey looked for advisers' views on the prospects for the UK economy, the prospect of a 'hung' parliament, actual policy proposals versus media interpretation, pension arrangements, government provided business support and benchmarking their businesses. The UKBAB trends questions are included as usual.

About the respondents

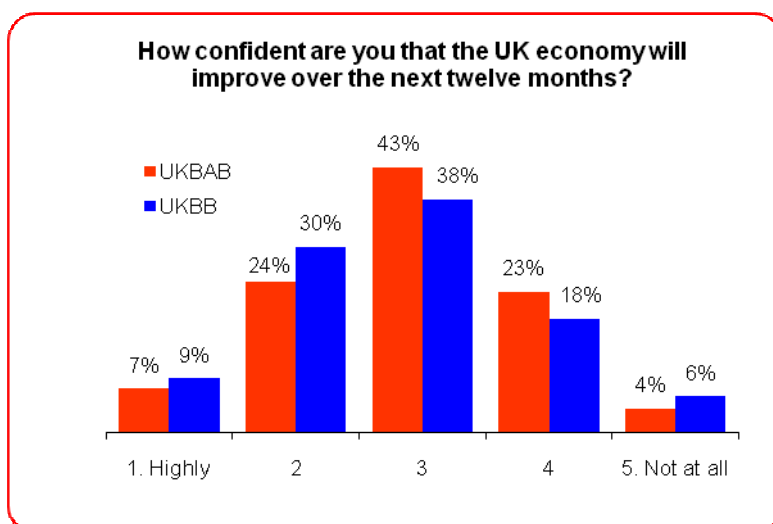
UKBAB panellists are all business advisers but they come from a wide variety of skill bases, including one or more of the following areas of expertise:

Accountancy	Business Planning
Finance	ICT
Legal	Manufacturing Processes
Marketing	Quality
Sales and Purchasing	Workforce Development

The total number of business advisers taking part in the April survey was 184 and as usual real-time results were published to the website during the course of the survey. This analysis is the outcome of further examination of the results received up to 4th May 2010.

Survey Findings

In the run-up to a general election much attention is inevitably given to how different political parties would influence the UK economy. Many commentators were saying that this election was 'different' because the outcome was less predictable than for many previous elections and at least one commentator predicted that internet-based social media would influence greater numbers to vote than did previously and would also influence how votes would be cast, for the first time. Against this background, responses to the question about confidence in the improvement of the UK economy could be seen as a judgement in both business and political terms.



Whilst only 4% of UKBAB respondents are not at all confident that the UK economy will improve over the next twelve months, 31% are highly or reasonably highly confident of its improvement and the average rating (from '1.Highly' to '5.Not at all') was 2.9, just on the positive side of the midway point.

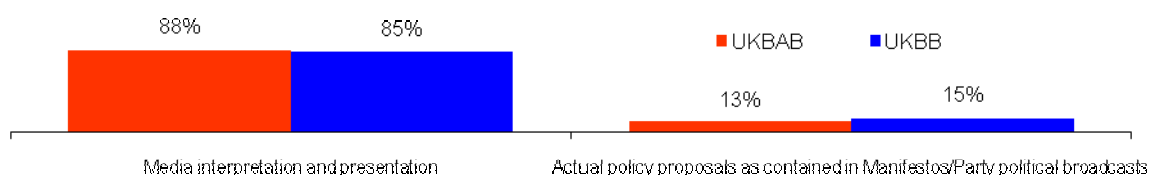
The same question was put to UK Business Barometer panellists. Amongst this group 39% were highly or

reasonably highly confident of its improvement and the average rating was 2.8.

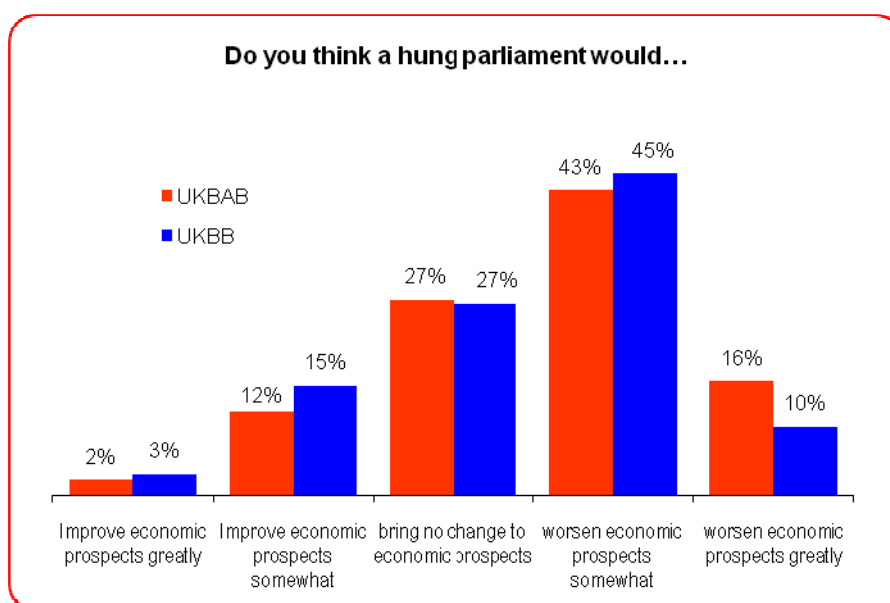
A couple of respondents provided additional views on what might help to restore confidence in the UK economy:

- Many of my clients want to expand and could do so as the economy recovers but are put off by the complications and risks of employing more staff. If the government - any government - wishes the SME sector to do more and to employ more people then it has to make employing, hiring and firing staff simpler and less risky for the employer. Individually we all want job security of course, but as a whole a more flexible labour market would be beneficial
- I believe that significant government effort is needed to restore confidence, funding and less spin is needed, support and ease of access to funds is essential. [...]

88% of UKBAB and 85% of UKBB respondents believe that media interpretation and presentation will have a greater influence on the outcome of the election than actual policy proposals as contained in manifestos or party political broadcasts.



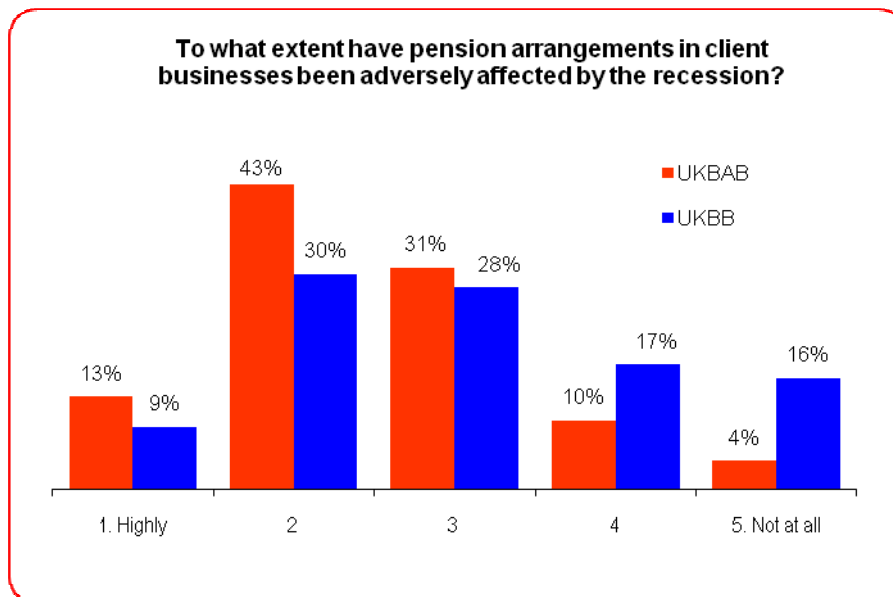
When asked what impact a hung parliament would have on economic prospects, 59% of UKBAB respondents thought that it would worsen them, either somewhat or greatly. UKBB were asked the same and 55% said the economy would worsen greatly or somewhat if there was a hung parliament. Relatively few respondents from each survey thought a hung parliament would have a positive effect on the economy but one UKBAB respondent commented "The prospect of a hung parliament is already factored into the relative value of sterling by the forex markets, and into UK credit ratings by the 3 significant agencies. As long as neither main party announces further unaffordable spending plans, I think we'll see moderate export-led growth throughout 2010." Another comment received was: "A (...) hung parliament will simply bring about the inevitable financial devastation more quickly."



It has been reported that by the end of 2009, UK pension schemes recovered the ground they lost in 2008, although in real terms, compared with the Retail Price Index, they made no gain on average over the past three years. The clients of UKBAB respondents have fared worse than UKBB respondents. 56% have experienced adverse effects to a

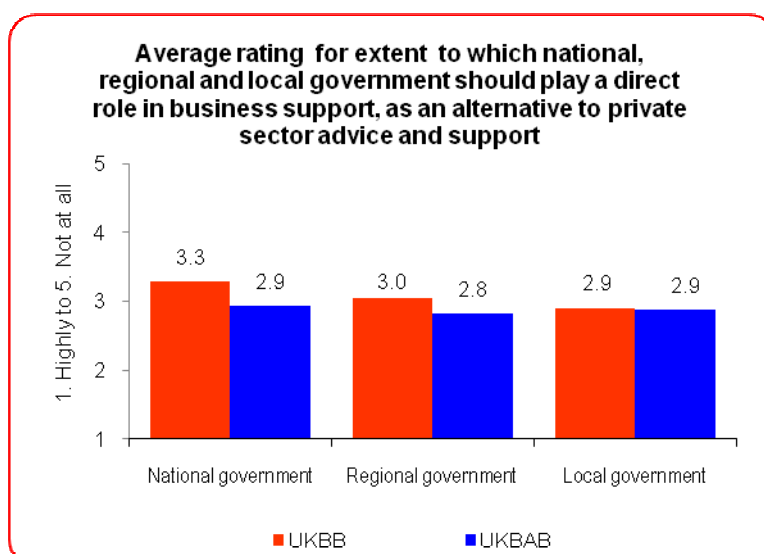
high or fairly high extent while only 14% say that their company pension arrangements have not been adversely affected by the recession, or have only been slightly adversely affected.

About one third of respondents to the UKBB say that their company pension arrangements have not been adversely affected by the recession, or have only been slightly adversely affected, but 39% have experienced adverse effects to a high or fairly high extent.



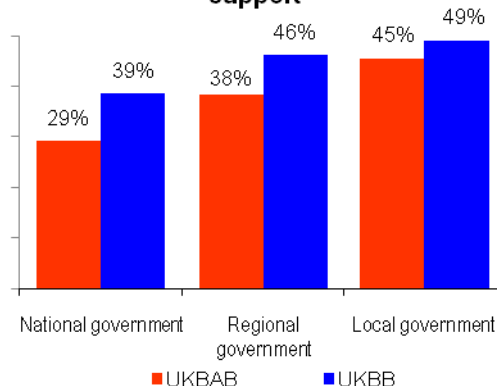
Over the period October 2008 to March 2010 the government migrated over 3000 different publicly funded business support schemes to a new system of around 30 schemes, under the title 'Solutions for Business'. These are provided through local, regional and central government departments, and private and third sector provision is also brokered through Business Links.

The April survey sought to find out to what extent survey participants thought government at each level should play a direct role in business support. The same question was asked in the UK Business Adviser Survey. Responses were spread widely across the possible range in both surveys, and were also closely matched between the two surveys.

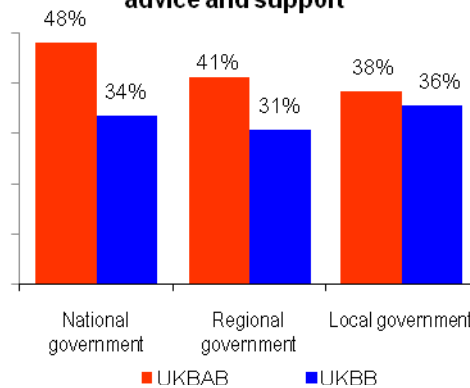


The least popular direct source on average, with respondents to both surveys, was national government. UKBAB respondents on average preferred local government to regional government, while the reverse was true for UKBB respondents.

Respondents who think national, regional and local government should play a direct role in business support to a high or fairly high extent, as an alternative to private sector advice and support



Respondents who think national, regional and local government should not play a direct role in business support at all or only to a low extent, as an alternative to private sector advice and support



Local government clearly gained the most support from those who responded with scale points 1 (High) or 2. Amongst those who responded with scale points 5 (Not at all) or 4, national government was the most unpopular with UKBAB respondents and local government was the most unpopular with UKBB respondents.

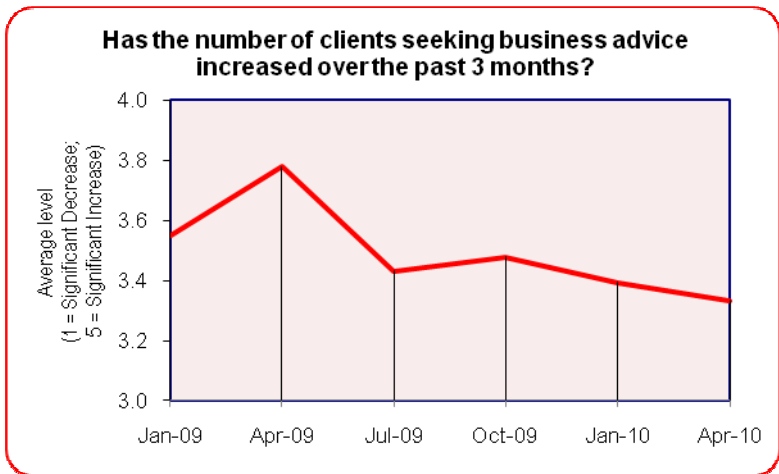
The following comments related to this topic were offered by UKBAB respondents:

- I believe there is a problem with Question 5 in that Governmental bodies openly discuss business support, but the whole of the business support mechanisms, including the IBC since the demise of the IBA, are in complete disarray. This situation in my view has deteriorated and not improved during the last 5 years. Something seriously needs to be done about it and politicians have made matters much worse, irrespective of their intentions.
- As I am directly involved in providing support through government funding, I am aware that my views on this may be rather biased. However, I would still prefer some national funding supplemented by some small amounts of locally targeted council funding, rather than the other way round because of potential local political influences on council funding decisions.
- In my own and most clients' experience, government-delivered business advice is generally poor, especially from business links. Government's job should be about removing barriers and incentivising growth through the tax system; not funding tiers of business advisers most of whom have never run even a small business.

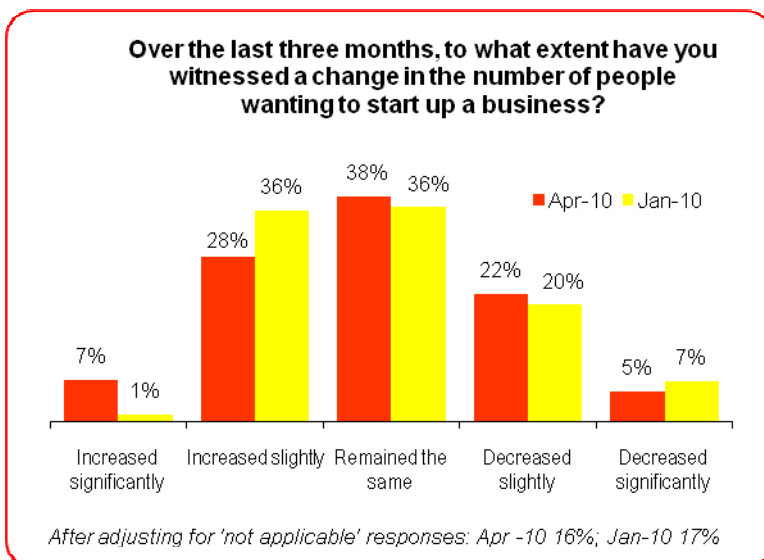
Trends Questions

The indicator of changes in numbers of clients seeking business advice over the past 3 months to April 2010 dropped back by a further 2% following a 2% decrease over the previous three months to January 2010.

The number of advisers experiencing increases in enquiries continued to outpace the number experiencing decreases in enquiries, by 28% in the three months to April compared with 34% in the three months to January.

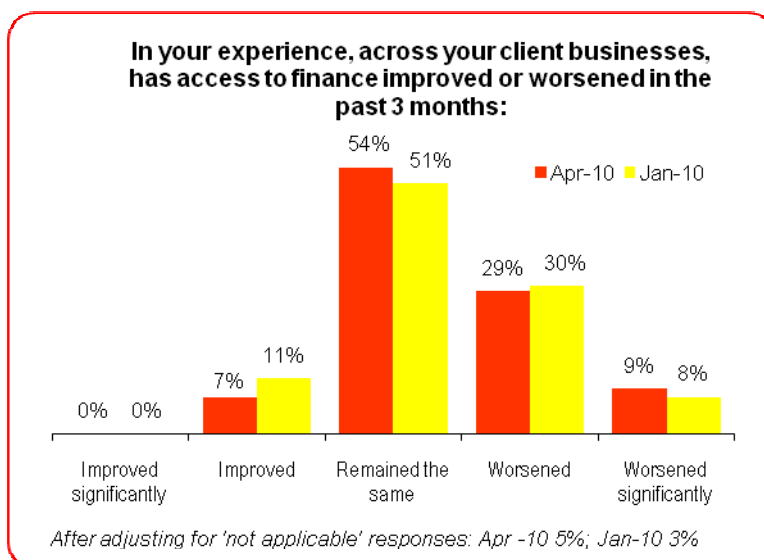


The average of the results for the three month period to April 2010 for the number of people wanting to start a business was up by 1.7% after a drop of 8½% between October 2009 and January 2010.



The balance, which tends to be volatile, between the percentage witnessing significant or slight increases and those witnessing significant or slight decreases in the number of people wanting to start a business moved from +10% in January 10 to +8% in April 10.

After two quarters of improvement in the index measure of clients' ability to gain access to finance, the index decreased by 2% between January and April. The balance between the percentage whose clients' ability to gain access to finance has improved or improved significantly and those whose clients' ability to gain access to finance worsened or worsened significantly was also more negative, moving from -27% in January 2010 to -31% in April..



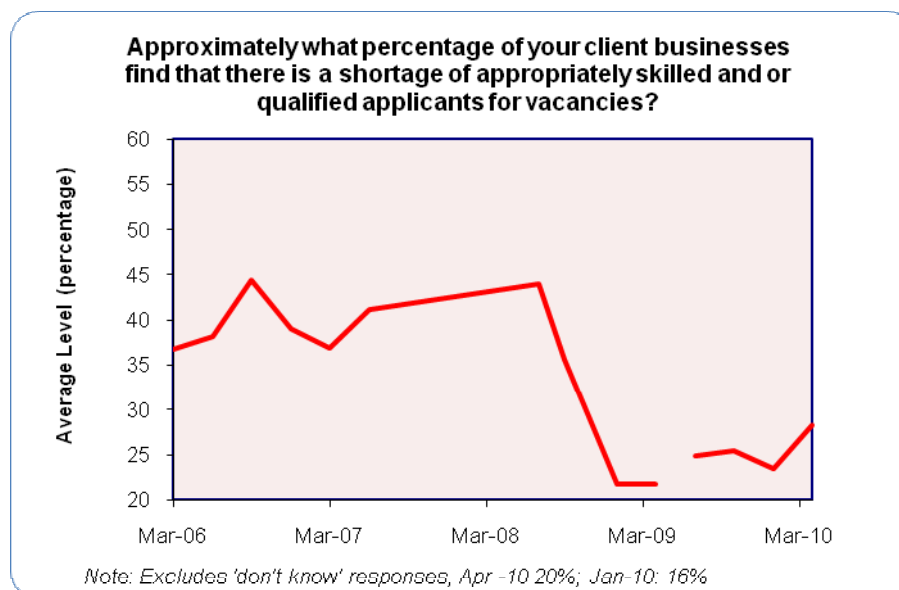
No respondents reported a significant improvement and only 7% reported any improvement in April, compared with 11% in January.

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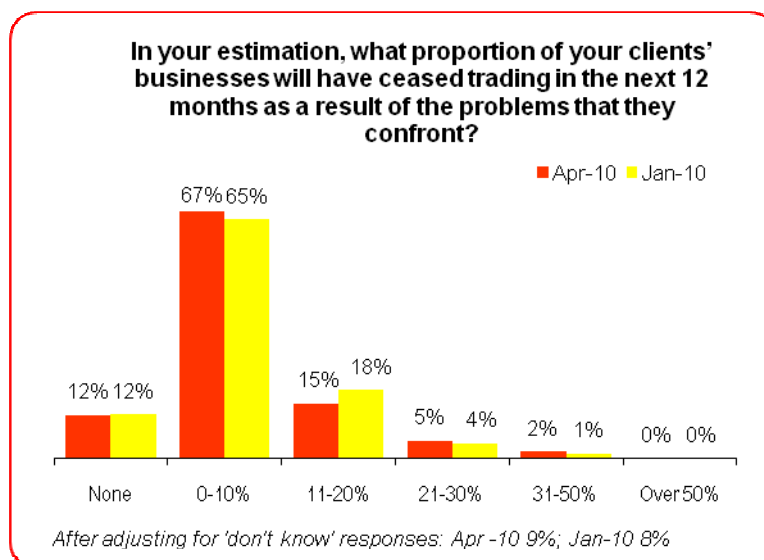
Comments on this topic covered several aspects of access to finance:

- Key reason for clients not obtaining bank funding is their inability to produce up to date financial information on which the bank can make an informed judgement
- Access to funding for SME's is still a problem, the politicians have now wakened up to the situation but the banks are trying to recover their losses and are still not lending to business especially 'start-ups' as they perceive them as risky. The government demands repayment of the loans they made to the banks and also wants banks to lend, the two positions are incompatible. Lending to business is a specialised part of banking, good business plans should be supported not a blanket 'no' by banks.
- Getting SME owners to understand that lenders will not lend them money unless they can produce a full business plan with properly prepared projections remains a difficulty. There is still a tendency to regard banks as having a moral duty to lend to whomever when like them they are a business looking to make a profit!
- The disappearance of soft loans for start-ups in London is a massive problem. Finance is almost impossible to find in London without massive collaterals.

In the April 2010 survey, the average overall percentage of clients experiencing shortages of appropriately skilled applicants was 4% higher than in January this year, and at 28% this was the highest level found in UKBAB surveys since September 2008. Over the year to January 2010, the average level of clients' firms' skill shortages remained in the 20% - 25% bracket, contrasting strongly with the previous range up to September 2008 of 35% - 45%.



There was no change in the average percentage of clients that respondents expect to cease trading over the next 12 months compared to January 2010, remaining at 7.4%.



Other Feedback

Listed below are some of the other, more general, personal views supplied in feedback received from respondents to Survey BAB 75 April 2010.

Views expressed are those of individual panellists and may not represent those of the University.

- Business advice is primarily provided to failing SMB's
- The Labour Govt improved the small business/entrepreneurial environment initially but has choked it, and the economy, through over regulation and the cost of the bureaucracy needed to administer it. Previously the Conservative Govt made do with a far more realistic bureaucracy but lacked any sustainable policies. Perhaps a 'hung parliament' with a large influx of new MPs will enable some new thinking and effective policies.
- Due to forthcoming election, everything is very volatile and several matters on hold.
- I believe that significant government effort is needed to restore confidence, funding and less spin is needed, support and ease of access to funds is essential. the labour government has had an adverse affect on the economy and the recovery is much slower than anticipated by poor policy and lack of understanding.
- A labour win or hung parliament will simply bring about the inevitable financial devastation more quickly.
- This government has really messed things up. What we need is people with experience of business not just experience of politics.
- keep up the work
- Many of my clients want to expand and could do so as the economy recovers but are put off by the complications and risks of employing more staff. If the government - any government - wishes the SME sector to do more and to employ more people then it has to make employing, hiring and firing staff simpler and less risky for the employer. Individually we all want job security of course, but as a whole a more flexible labour market would be beneficial.
- None of my clients will cease to trade because they pay me to prevent that.

The financial plight of Britain is the worst in any memory, not just living memory.

The Labour Party has achieved the impossible by bankrupting Britain with £1.2 trillion of unrepayable consumer debt, a National Debt that will peak at around £1.3 trillion, and the largest structural budget deficit of any country in the world. They simply don't have a clue about money, and never have had.

They have spent, taxed, borrowed, wasted, borrowed and spent and wasted again, and above all have wasted money on bureaucracy and financing systems of social engineering

and centralised control of the individual.

They have also made Britain a target for international terrorism and failed to secure our energy supplies. Next winter the lights will go out.

They have also shown how their MPs are just plain bent. Never trust a socialist with a till or an expenses sheet.

Is there anything more to be said. We are about to experience the worst recession in our history, and you should know who to blame.

- I believe that the Lib Dem view that Banks be broken up would increase competition in their marketplace and would ease current restrictions on lending to certain sectors.

Comments were also received in connection with a question in the survey related to a possible benchmarking exercise. This question has not been further analysed within this report (results can be seen on the web page www.ukbab.ac/UI/surveys.aspx).