

15 August 2022

BUSINESS NEWS ENGLAND

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Managing your cash in tough times

With ever-increasing supplier prices, a rise in interest rates and a looming recession, managing your business's cash and understanding the flow are now vital tools in maintaining resilience and being able to adopt flexible strategies for success.

Cash flows are a reflection of all the cash that is flowing in and out of a business. Owners can look at the direction of the cash flows for insights into the health of specific products or services and overall market patterns.



Some types of businesses are more likely to run into cash flow problems, while other types appear to be more resilient. If you are a business owner, you might be wondering which category your business falls into. No matter how inventive or straightforward your business model is, you can still have problems with cash flow. Here are our thoughts on managing the flow of cash in your business:

The first stage of understanding and predicting how funds flow is to perform a health check on your accounts. Look at your latest profit and loss statement and check that your income is sufficient to cover your expenses. If your profit is falling behind your expenses and cash flow is slowing down, you might need to take action. Prepare a funds flow statement so you know where the money goes.

Next, create a yearly budget and look where cash could become tight and months where you can save to cover the quieter times. Look at those quieter months and think about flexible work scheduling, new products or services or other activities to tide you over.

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Finally, make sure you collect your money from those who owe you quickly. Reward customer loyalty by offering early bird discounts, and set credit limits and payment terms to ensure customers follow the rules. If you take on new customers, make credit checks. Penalise late payers and request upfront deposits or payments.

Talk to us about preparing a funds flow statement and annual budget so that you can work on your business for maximum success!

Useful personal finance tips to manage inflation

Households need to brace for a prolonged period of high inflation and further interest rate rises. The Governor of the Bank of England, Andrew Bailey, has warned that he will take forceful action to tackle inflation, already running at 9.4% and forecast to hit double figures later this year. He defended the decision last week to raise interest rates, saying there is a "real risk" of soaring prices becoming "embedded". Interest rates rose to 1.75% - the biggest rise in 27 years - with inflation now set to hit more than 13%. The UK is forecast to fall into recession this year, with the longest downturn since 2008 predicted. Increasing interest rates is one way to try to control inflation as it raises borrowing costs.

Inflation is a problem for most of us. Savers find that the value of their cash is being rapidly eroded. At 10% inflation, the £100 you save today will only buy £90 worth of goods in a year's time. Many people find that their household budgets are stressed. And even borrowers, who might be expected to benefit from inflation, suffer when inflation triggers increases in interest rates. So what can you do to protect your finances and combat inflation?

1. Protect your retirement income.

Inflation has an enormous impact on how long retirement savings will last. The income that seems more than adequate when you start your golden years can look less than generous after 10 years of inflation, and a recipe for misery after 20. A basic level annuity will mean having the buying power of your income eroded every year. An inflation-linked annuity will start off providing a much smaller income, but one that keeps increasing over time. A drawdown pension – where your pension pot remains invested and you draw down an income as you need it – is more flexible. However, you will still need to take care to avoid running out of cash.

2. Avoid locking your cash savings away.

Savers should benefit when higher inflation leads to the Bank of England increasing the Bank Rate. But beware – although the rates offered by savings providers are rising, they have not yet done so enough to come anywhere near inflation.

However, with the Bank Rate forecast to rise further and with savings deals forecast to follow, there could be better deals to be had over the next few months. Shop around for the best deal and avoid locking your savings into a long-term deal because it could mean missing out on much better rates in the near future.

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3. Look at your investment strategy.

In an inflationary world, investing – where your cash is used to buy something which could appreciate in price – could be more rewarding than saving.

While inflation erodes the value of cash savings, it actually works to boost the value of some investments. But how should you invest? Bond investment becomes less attractive in times of inflation, as the income provided by bonds is subject to inflation.

Investors can protect themselves by buying index-linked bonds, where the interest paid rises in line with inflation. Some business sectors will suffer during inflationary periods. Oil and mining companies, however, tend to do well as rising commodity prices are good for their bottom lines. Utility groups often pay dividends linked to inflation. However, inflation could be bad for others such as retailers and supermarkets, which may lack the ability to increase prices. Luxury goods may be shunned when households tighten their belts.

4. Secure a low-rate mortgage before rates rise.

Inflation has already triggered rate rises, and mortgages are substantially more expensive than they were last year. This process could continue – the Bank of England has hinted as much. To avoid increasing interest costs, which could mean that buying your home becomes difficult or even impossible, it makes sense to secure the lowest rate you can, fixed for the longest possible period.

5. Get some expert help.

Managing money in inflationary times can be challenging, but the challenges can be much more manageable if you have an expert to call. Talk to your financial adviser, or if you don't have one, see: [Choosing a financial adviser | MoneyHelper](#)

Employment status rules still lack clarity

At the end of July, the government finally got around to publishing its response to the 2018 consultation on employment status. The consultation took place as the result of government concerns over false self-employment, particularly in the “Gig” economy. Employers and professional bodies have heavily criticised the updated guidance as it still lacks clarity. There is even separate guidance to employers and engagers dealing with employment rights and tax status:

[Employment status and rights: checklist for employers and other engagers - GOV.UK \(www.gov.uk\)](#)

[Check employment status for tax - GOV.UK \(www.gov.uk\)](#)

Part of the problem is the lack of detail in employment and tax legislation, which means that the law has to be interpreted by the courts. The HMRC Check Employment Status for Tax (CEST) tool in particular has been criticised by tax advisors for being too simplistic and biased towards the presumption of employment.

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Whether a worker is classified as employed or self-employed has important implications in terms of their employment rights and also their tax treatment. The self-employed tend to pay less tax and National Insurance Contributions (NICs) at the expense of foregoing employment rights such as sick pay, holiday pay, pensions and the right to bring an action for unfair dismissal. Deciding whether an individual is employed or self-employed is not a matter of choice. It will depend upon the particular facts surrounding the relationship.

Getting employment status wrong can have serious tax consequences. If an organisation gets it wrong and treats an individual as self-employed when they should be treated as an employee, then they are liable for the PAYE and NICs that should have been deducted. This traditionally has led to many organisations insisting that the individual should supply their services via an agency or their own personal service company (PSC) to avoid this PAYE risk.

The "off-payroll" working rules that were extended to large and medium-sized engagers from April 2021, now require engagers to determine whether a worker operating through a PSC would be treated as an employee if directly engaged and, if so, deduct PAYE and NICs. That worker is thus taxed as if an employee, but without full employment rights – the worst of all worlds.

Employment Agencies may be liable for the tax of PSCs

As mentioned above, many organisations have traditionally requested that workers supply their services via a PSC or an agency, because up until 2021, that avoided the organisation's PAYE risk. The IR35 rules meant that if the individual would have been treated as an employee when considering the hypothetical contract between the worker and end-user client, the PAYE and NIC would be payable by the PSC and not the end-user client. Pursuing thousands of PSCs is very expensive and inefficient for HMRC.

When the Onshore Employment Intermediaries: False Self-Employment Legislation (s44 ITEPA 2003) was introduced, it had been considered that this would not apply to the situation where an employment agency supplied workers that operate through PSCs. Many felt that the rules only applied to self-employed individuals and that the IR35 rules would take priority if the worker had their own company. However, a recent Tax Tribunal case (*K5K Ltd v HMRC*) involving the supply of agency nurses and healthcare workers has determined that the agency can be liable for PAYE and NICs. It is clearly more efficient for HMRC to pursue the agency for PAYE and NICs rather than numerous PSCs.

Employment status is clearly a complex area so if you need advice please contact us.

AI fresco dining to continue for businesses

Pubs, cafes and restaurants will be able to take advantage of the warm weather and keep serving customers al fresco. Temporary changes brought in during COVID-19, which made it quicker, easier and cheaper for businesses to get a licence to serve food and drink on pavements and pedestrianised roads, have been extended. The extension will continue until the changes are made permanent in the spring.

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The change was first introduced to help businesses keep operating during the pandemic and was widely welcomed by the public, café owners and pub landlords.

The government will make these changes permanent in the Levelling Up and Regeneration Bill.

The announcement will make sure that businesses can keep operating outside by extending the temporary provisions that were due to expire in September before the permanent changes become law.

See: [Al fresco dining boost for businesses - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/al-fresco-dining-boost-for-businesses)

Managing drug and alcohol misuse in your workplace

Do you know how to address drug and alcohol misuse at work?

Employers have a legal duty to protect employees' health, safety and welfare.

Understanding the signs of drug and alcohol misuse (or abuse) will help you manage health and safety risks in your workplace.

The HSE website has [step-by-step guidance](#) to help you manage drug and alcohol misuse at work.

This includes advice on how to [develop a drugs and alcohol policy](#) and what you can do to [support your employees](#).

The Great British Businesswoman Awards 2022

The Great British Businesswoman Awards brings together the whole Great British Businesswoman Series community to celebrate the women who are changing the face of business across the United Kingdom.

The awards showcase the business role models, advocates and mentors, as well as the inspirational women leading businesses and those ascending to new heights! More than just an awards ceremony, the Great British Businesswoman Awards is a year-round programme of engagement, delivering touch points throughout the year to support and champion.

The awards focus on community and collaboration by bringing together those who make it their business to inspire female business leaders, and are looking to support, celebrate and mentor the next generation via our winners, judging panel and supporters.

See: [Great British Businesswoman Series | About The Awards \(freshbusinessstinking.com\)](https://freshbusinessstinking.com/great-british-businesswoman-series/about-the-awards)

Analysis for Innovators (A4I) round 8

Innovate UK, as part of UK Research and Innovation, is investing up to £3 million in collaborative innovation projects, including partnerships with:

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- The National Physical Laboratory
- The National Measurement Laboratory
- The National Engineering Laboratory
- The Science and Technology Facilities Council
- National Institute for Biological Standards and Control
- National Gear Metrology Lab
- Newton Gateway to Mathematics
- Advanced Sustainable Manufacturing Technologies

This competition is split into two strands. These are:

- A4I round 8 - main strand (for projects with total costs of £15,000 to £120,000)
- A4I round 8 - mini projects (for projects with total costs of up to £50,000)

To be eligible, your proposal must describe a measurement or analysis problem where you are seeking a solution to improve your business's productivity or competitiveness. You must provide an estimate of the value to your business of solving the problem.

This is an expression of interest (EoI) competition stage. No funding is awarded at this stage. If you are successful, you will be invited to brokerage consultations with relevant A4I partners. These will focus on approaches to solving your problem. You will work together to propose joint projects to develop solutions. Successful stage 2 applications will be grant funded, to work with the relevant partner organisations.

The deadline for applications to the A4I competition is Wednesday 31 August 2022.

Main strand - See: [Competition overview - Analysis for Innovators \(A4I\) Round 8 - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://apply-for-innovation-funding.service.gov.uk/competition-overview-analysis-for-innovators-a4i-round-8)

Mini projects – See: [Competition overview - Analysis for Innovators \(A4I\) Round 8 Mini Projects - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://apply-for-innovation-funding.service.gov.uk/competition-overview-analysis-for-innovators-a4i-round-8-mini-projects)

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