Business E-News-England

26 June 2023

Welcome to our round up of the latest business news for our clients.

Interest rate rises again

The Bank of England (BOE) raised interest rates by half a point to 5 per cent last week, with increasing calls for tougher action to fight persistent high inflation.

Andrew Bailey, the governor of the Bank of England, said that the Bank thinks inflation - the rate at which prices are rising - will fall "markedly this year" but adds there are signs of it being "persistent".

Recent figures showed that inflation did not fall as expected and remained at 8.7% in the year to May.

Bailey confirmed that the BOE thought it was “right” that they took this action to raise rates."

On the face of it, a 0.5% increase does not sound too drastic and actually leaves the UK with a bank rate that is still lower than historic averages.

But it is painful for those who have been relying on cheap lending, and a Bank Rate that stood at just 0.1% in December 2021.

The first to feel the impact will be around 850,000 mortgage borrowers with a tracker rate mortgage.

The average borrower will be paying around £50 per month extra.

Those on fixed deals, where the interest rate stays the same for a set period, usually as an introduction to the deal, will see no immediate increase – but will have to be prepared for a significant increase in repayments if their deal is close to ending.

The overall message is – the increase will mean it will cost you more to buy your home.

At the beginning of the year, the same pundits who were predicting recession were also certain that house prices would fall as interest rates rose.

There have been blips within the housing market, but the forecast price falls have simply not occurred.

As the pundits proved, it is impossible to predict the future, but it may be reasonable to assume that this latest rate hike will not be the one that changes the position.

A shortage of housing, and an economic outlook that is actually more positive than previously, could mean that a house price collapse is unlikely.

If inflation doesn’t ease as anticipated, we may see further base rate rises becoming necessary.

Some forecasts suggest that the Bank of England base rate could well go over the current 5%.

So, what can you do to protect your long-term 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 – but 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.

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 can 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

To avoid increasing interest costs which could mean that buying your home becomes difficult or even impossible, it makes sense to try and secure the lowest rate you can for your mortgage, 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 on, so talk to your financial adviser. If you don't have one, see: [Choosing a financial adviser | MoneyHelper]

2022/23 Employment-related securities returns due by 6 July

The deadline for reporting shares and securities and share options issued to employees for 2022/23 is 6 July 2023.

This is the same as the deadline for reporting expenses and benefits provided to employees on form P11d for 2022/23.

Employers must submit their employment related securities annual returns online and attach the appropriate spreadsheet template if they have something to report.

HMRC provide templates on their website that may be downloaded in order that the information may be entered and uploaded.

Note that there are ***different templates for each of the four tax-advantaged employee share schemes*** –

- ***Company Share Option Plan (CSOP),***
- ***Enterprise Management Incentives (EMI),***
- ***Save and You Earn (SAYE) share options***
- ***Share Incentive Plans (SIP)***

In addition, spreadsheet 42 should be used to report on any other employment-related securities (non-tax-advantaged) issued to employees and directors.

Deadline for voluntary National Insurance contributions extended to April 2025

The UK government is giving people more time to pay National Insurance contributions towards their State Pension.

Taxpayers now have until 5 April 2025 to fill gaps in their National Insurance record from April 2006 that may increase their State Pension - an extension of nearly 2 years.

Extending the voluntary National Insurance contributions deadline until 2025 means that people have more time to consider whether paying voluntary contributions is right for them and ensures no-one need miss out on the possibility of boosting their State Pension entitlements.

The original deadline was extended to 31 July 2023 earlier this year, and tens of thousands of people have taken the opportunity to pay voluntary contributions to HM Revenue and Customs (HMRC) since then.

The revised deadline is expected to enable tens of thousands more to do the same.

See: [Deadline for voluntary National Insurance contributions extended to April 2025 - GOV.UK (www.gov.uk)]

Protecting those working alone

Lone workers can be at greater risk of harm as they may not have anyone to help or support them if things go wrong.

Employers should provide training, supervision, monitoring, and support for those working alone.

The Health and Safety Executive's free to download leaflet, ***Protecting lone workers*: *How to manage the risks of working alone,*** is for anyone who employs lone workers, or engages them as contractors etc, including self-employed people.

The leaflet, supported by their lone working webpages, includes advice aimed at lone workers themselves, as well as a video setting out the key advice.

See: Working alone - Health and safety guidance on the risks of lone working (hse.gov.uk)

HMRC Employer Bulletin June 2023

The June edition of the ***Employer Bulletin*** brings you the latest HMRC updates and guidance to support employers.

Included in this edition are updates on:

- reporting of expenses and benefits – correct recording of diesel company cars.
- P11D and P11D(b) filing and payment deadlines.
- PAYE Settlement Agreement (PSA) deadline and digital services.
- making Child Benefit claims quicker and easier for new parents.
- how the *National Cyber Security Centre* helps businesses tackle cybercrime risks.
- saving National Insurance numbers to the Apple Wallet.

The next Employer Bulletin is in August 2023. The employer bulletin is only available online.

See: June 2023 issue of the Employer Bulletin - GOV.UK (www.gov.uk)

ICO issues new SARs guidance for employers

The ***Information Commissioner's Office*** (ICO) has published new guidance for businesses and employers on responding to subject access requests (SARs).

The right of access, commonly referred to as a subject access request or SAR, gives someone the right to request a copy of their personal information from organisations.

This includes where they got their information from, what they're using it for and who they are sharing it with.

Individuals can request the personal information held by their employer, or former employer, such as details of their attendance and sickness records, personal development, or HR records.

Organisations must respond to a SAR within one month of receipt of the request.

However, this can be extended by up to two months if the SAR is complex.

If organisations fail to respond to SARs promptly, or at all, they can be subject to fines or reprimand.

From April 2022 to March 2023, the ICO received over 15,000 complaints related to subject access.

Analysis suggests that employers regularly misunderstood the nature of requests and often failed to respond promptly, or at all, leaving themselves open to fines or a reprimand.

The ICO is therefore urging employers to read the new guidance and understand the rules on dealing with SARs, to avoid non-compliance.

See: SARs Q&A for employers | ICO

NatWest Accelerator 2023

The NatWest Accelerator supports and empowers UK entrepreneurs to scale their businesses to the next level.

The free Accelerator programme specialising in wrap around support provides:

- one-to-one coaching with experienced Acceleration Managers.
- A programme of thought leadership and events.
- access to a network of like-minded peers, supported by Ecosystem Managers.
- focused support with access to experts from across your specialism.

- use of our modern co-working spaces in one of their nationwide hubs.

See: Entrepreneur Accelerator | NatWest

Help to Grow Management scheme

The Help to Grow Management scheme offers business leaders 50 hours of leadership and management training across 12 weeks.

It means, for as little as £750, business leaders can benefit from one-to-one support from a business mentor, access to a network of like-minded business leaders, and a bespoke growth plan to help the business reach its full potential.

Designed to be manageable alongside full-time work, this programme will support small business leaders to develop their strategic skills with key modules covering financial management, innovation, and digital adoption.

See: Homepage - Help to Grow

Ethnicity pay reporting: guidance for employers

The UK Government has published guidance for employers on how to measure, report on and address any ethnicity pay differences within their workforce.

Ethnicity pay reporting is one of the tools employers can use to build transparency and trust among their employees.

The guidance includes advice on:

- collecting ethnicity pay data for employees.
- how to consider data issues such as confidentiality, aggregating ethnic groups and the location of employees.
- the recommended calculations and step by step instructions on how to do them.
- reporting the findings.
- further analysis that may be needed to understand the underlying causes of any disparities.
- the importance of taking an evidence-based approach towards actions.

See: Ethnicity pay reporting: guidance for employers - GOV.UK (www.gov.uk)

Retained EU Employment Law Reforms

This consultation sets out proposals for key areas of retained EU employment law that the Department for Business and Trade (DBT) is responsible for.

The consultation seeks views on 3 areas of retained EU employment law which could benefit from reform:

- record keeping requirements under the working time regulations.
- simplifying annual leave and holiday pay calculations in the working time regulations.
- consultation requirements under the Transfer of Undertakings (Protection of Employment) regulations (TUPE).

The consultation closes on 7 July 2023.

See: Retained EU employment law reforms - GOV.UK (www.gov.uk)

Innovation Funding Service

Innovate UK supports UK-based businesses to invest in research, development, and innovation through grant funding, loans, or procurements.

You can browse and apply for funding opportunities through their Innovation Funding Service.

Various types of funding opportunities are available throughout the year.

Each opportunity has its own eligibility criteria and scope.

The Innovation Funding Service has information on what funding opportunities are available and which ones may be right for you.

It is important that you read the full eligibility, scope, and guidance for a funding opportunity before you apply.

See: Innovation competitions - Innovation Funding Service (apply-for-innovation-funding.service.gov.uk)

Space Cluster Infrastructure funding call

The Space Clusters Infrastructure Fund (SCIF) will award more than £50 million in matched funding to UK organisations, as part of a competition to increase the capability, capacity, and connectivity of the UK's space research and development (R&D) infrastructure.

UK SPACE AGENCY

The funding is available to businesses and academic institutions that can deliver projects to procure, build or upgrade R&D facilities and equipment that will bring high-potential, high-value space technologies to market.

The infrastructure developed through this funding will enable UK space organisations to accelerate pioneering products and applications that will become critical for the success of future space missions while making a lasting and valuable contribution to the wider UK economy.

SCIF is expected to support approximately five to ten projects of up to £10 million each.

The fund is open to organisations of all sizes and locations, with a weighting towards those outside of the Greater Southeast.

See: Announcement of Opportunity: Space Cluster Infrastructure Funding Call - GOV.UK (www.gov.uk)

The Horizon Europe Guarantee scheme has been extended to support UK R&D

The support provided to ***UK Horizon Europe*** applicants has been extended for a further three months.

The guarantee will now be in place to cover all Horizon Europe calls that close on or before 30 September 2023.

Eligible, successful applicants to Horizon Europe will receive the full value of their funding at their UK host institution for the lifetime of their grant.

Successful awardees do not need to leave the UK to receive this funding, which will provide reassurance for future collaborations and support UK researchers whether association is confirmed or otherwise.

The UK government remains in discussion on the UK's involvement in EU research programmes and hopes that negotiations on Horizon Europe will be successful.

However, UK participation must be fair for UK researchers, businesses and taxpayers and reflect the lasting impact of two years of EU delays to the UK's association.

The government will continue to engage with representatives across the business, research, and innovation sectors as these discussions progress.

The UK government's policy is to ensure the UK's research and development (R&D) sector gets the maximum level of support to allow them to continue their research and collaboration with international partners, and the extension of the guarantee provides certainty for researchers while negotiations continue.

See: Apply for Horizon Europe guarantee funding – UKRI