

Written 11 April 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!

### **Business resilience in these tough times**

Millions of households are facing a rise in energy costs, alongside increases in the cost of council tax, water bills and other utilities and there is a warning of fresh energy bill price rises in October. Energy prices have been affected by the Ukraine war and pressure on suppliers. There are continuing delays and shortages on a wide range of goods businesses need to function properly. In addition, the National Insurance rise is now hitting pay packets, an additional cost to both employers and employees.

Is it all doom and gloom or can you plan forward and make adjustments in and to your business to factor in these changes?



Our experience is that business owners are a resilient group and those that are the most successful are also flexible in their planning. Here are some of our recommended actions, based on what we have seen other clients doing recently to firm up their resilience to these tough times:

- Review your budgets and set realistic and achievable targets for the remainder of 2022 and know your cash flow forecast inside out.
- Get your team involved in a discussion of likely trading conditions and get their input on reducing costs and maintaining revenues.

**Please contact a member of our team if you would like to discuss any of the issues raised.**

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- Get rid of 'won't pay' customers.
- Review your debtors list and chase up overdue invoices (if appropriate). If applicable, offer existing debtors extended payment terms and/or discounts.
- Make sure your terms of business contain explicit payment terms.
- Assign responsibility to one individual for invoicing and collections.
- Put extra effort into making sure your relationships with your better customers are solid.
- Review your list of products and services and **eliminate** those that are unprofitable or not core products/services.
- If possible, agree extended payment terms with suppliers in advance.
- If appropriate, review banking facilities and discuss future needs.
- Don't ignore debt. Ask for help if you are struggling.
- Know what you are spending and on what. Look at your detailed expense list in your profit and loss account and assess if there is room for negotiation in any of your fixed expenses and/or whether there are alternative suppliers.
- Look at your expenses and see if you can make small cut backs in lots of areas. Use 'bottom up' budgeting where everyone in the office gives input on areas over which they have control – target a 10% cost saving.
- Review and flowchart the main processes in your business (e.g. sales processing, order fulfilment, shipping etc.) and challenge the need for each step.
- Encourage team members to suggest ways to streamline and simplify processes (e.g. sit down and brainstorm about efficiencies and cost reduction).
- Review your staffing needs over the next few months.
- Establish your key performance indicators (KPI's) and measure them on a weekly basis.
- Review efficiency of business processes and consider alternatives such as outsourcing certain activities locally or overseas.
- Pull everyone together and explain the business strategy and get their buy-in.

Please talk to us about planning ahead because we have considerable experience with helping our clients with their strategy and sustainability in turbulent times.

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## **Giving Shares to Employees**

Where companies give shares to employees in the company or group that they work for they will generally be taxed on the difference between the market value of those shares and the amount paid, if any. The transaction also needs to be reported to HMRC by 7 July following the end of the tax year. HMRC provide a template to enable employers to report the transaction online:

See: [Other ERS schemes and arrangements: end of year return template, technical note and guidance notes - GOV.UK \(www.gov.uk\)](#)

Considerations around whether employers need to operate PAYE and whether national insurance contributions are payable depends upon whether the shares are 'readily convertible assets'. Broadly this would be where there are trading arrangements in place to quickly sell the shares.

It is generally more tax efficient for the employee if the company awards them shares under a tax-advantaged share incentive scheme such as under the Enterprise Management Incentive (EMI) scheme or a Share Incentive Plan (SIP).

Contact us if you would like more information about these schemes.

### Corporation Tax relief for Employee Share Acquisitions

Provided certain conditions are satisfied, the employing company will obtain a corporation tax deduction when employees acquire shares in the company or group that they work for, whether they acquire the shares directly or under a share option agreement. The amount of the deduction is the difference between the market value of the shares and the amount paid by the employee and will often mirror the amount taxed on the employee. This is a statutory deduction and will be available irrespective of whether there is a deduction for the transaction in the company's profit and loss account.

### Tax Relief when Share Options are granted

A recent case before the Supreme Court (*HMRC v RCL Investments Ltd and Ors (2022) UKSC 9*) has determined that where a company is accounting for share-based payments in accordance with International Financial Reporting Standard 2 (IFRS 2) then it is possible to obtain a corporation tax deduction based on the market value of shares when share options are granted to employees. In the case heard, there was a complex arrangement involving payments to an Employee Benefit Trust (EBT) that acquired shares on behalf of employees. The Supreme Court determined that the grant of options by the EBT trustee to the companies' employees triggered an obligation on the companies to recognise an expense in their income statements equal to the fair value of the options that the EBT trustee had granted. This amount would not necessarily be recognised immediately but could be spread over a number of accounting periods.

Awarding shares to employees is a complex area so please contact us before you consider such arrangements.

## **HMRC have published an updated factsheet for employers regarding employment status**

In conjunction with the start of the new tax year, HMRC have published an updated factsheet to assist employers in determining the employment status of their workers. The factsheet

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recommends the use of the 'Check Employment Status for Tax' (CEST) diagnostic tool on the HMRC website but that is not obligatory.

See: [Employment status factsheet \(ES/FS2\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101422/employment-status-factsheet-2019.pdf)

There is also a factsheet aimed at workers: [Employment status factsheet \(ES/FS1\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101422/employment-status-factsheet-2019.pdf)

## **Net Zero Technology Centre innovation funding**

The Net Zero Technology Centre has launched the first of two open funding windows for 2022.

Businesses from across the globe can apply for a share of £7 million available in the first funding window, with a maximum of £1 million to be awarded to each successful project.

The projects must support the transition towards net zero with an obligation of trialling and deploying technology within the UK continental shelf. As well as funding, the projects will also gain access to data facilities and technical expertise from industry.

The following technology focus areas have been identified for this funding window:

- carbon capture, utilisation and storage (CCUS)
- hydrogen and clean fuels
- renewables and energy storage
- zero emissions power
- venting and flaring
- integrity management - well integrity
- late life and decommissioning
- integrity management - CUI

Digital and data architecture, smart assets and field automation will be technology focus areas within the £3 million second open innovation programme in October.

See: [Net Zero Technology Centre innovation funding \(nibusinessinfo.co.uk\)](https://nibusinessinfo.co.uk/news/net-zero-technology-centre-innovation-funding/)

## **UK-South Korea collaborative research & development**

Innovate UK, part of UK Research and Innovation, will invest up to £2 million in innovation projects in partnership with the Korea Institute for Advancement of Technology.

The aim of this competition is to fund collaborative research and development (CR&D) projects focused on industrial research. Proposals must include at least one partner from the UK and one partner from South Korea.

The projects that Innovate UK fund will be expected to result in a new product, industrial process or service, be innovative, involve a technological risk and have high market potential in the participating countries.

The projects must focus on one or more of the following sectors:

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- advanced manufacturing and materials
- artificial intelligence
- clean energy - specifically battery technologies, hydrogen mobility technologies and future vehicles

UK applicants can apply for a maximum grant of up to £350,000 for each project. UK project partners must carry out the majority of their project work in the UK and intend to exploit the results from or in the UK.

See: [Competition overview - UK-South Korea Collaborative R&D - Innovation Funding Service \(apply-for-innovation-funding.service.gov.uk\)](https://apply-for-innovation-funding.service.gov.uk)

### **Government sets out plan to make the UK a global cryptoasset technology hub**

The government announced last week moves that will see 'stablecoins' recognised as a valid form of payment as part of wider plans to make Britain a global hub for cryptoasset technology and investment. In brief:

- Stablecoins are to be brought within regulation, paving their way for use in the UK as a recognised form of payment.
- This is part of a series of measures to make the UK a global hub for cryptoasset technology and investment.
- Measures include legislating for a 'financial market infrastructure sandbox' to help firms innovate, an FCA-led 'CryptoSprint', working with the Royal Mint on a non-fungible token, and an engagement group to work more closely with industry.



See: [Government sets out plan to make UK a global cryptoasset technology hub - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

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## **Kickstart Scheme closure**

Kickstart Scheme applications closed at midday on 17 December 2021.

Employers who applied for a Kickstart Scheme grant before midday on 17 December 2021 should have received a decision on their application. It is recommended that employers contact their local or national Kickstart Scheme contact if they have not received a decision.

Those with successful applications should have signed and returned their grant agreement by 7 January 2022, submitted their vacancies to the Department for Work and Pensions (DWP) by 31 January 2022 and started the young person in the job on or before 31 March 2022.

To help DWP process the funding, they ask that employers tell them as soon as possible or by 30 April 2022 that [the young person has started their job](#).

Employers will get funding for 6 months once the young person has started their job.

See: [Kickstart Scheme closure - GOV.UK \(www.gov.uk\)](#)

## **New guidance sets out how to live safely with COVID-19**

The UK Health Security Agency (UKHSA) has published updated guidance to support the next stage of the COVID-19 pandemic.

As set out in the government's [living with COVID-19 plan](#), the focus of this new phase is on protecting those who are most at risk from the virus.

A new set of guidance from UKHSA provides important public health advice for people with symptoms of respiratory infections, such as COVID-19; people with a positive COVID-19 test and their contacts; and advice on safer behaviours for everyone. UKHSA has also published a set of public health principles for businesses, organisations and employers to consider in managing the risk to their workforce from respiratory infections, such as COVID-19.

See: [New guidance sets out how to live safely with COVID-19 - GOV.UK \(www.gov.uk\)](#)

## **£7 billion package to level up transport outside London**

The government has stated that thirty-one counties, city regions and unitary authorities have been chosen for funding to level up their local bus services in the latest awards from the government's bus transformation programme.

Including earlier awards, just under two-thirds of England's population outside London will benefit from new investment to make their buses more frequent, more reliable, easier to understand and use, cheaper, or greener. Improvements will also include integrated ticketing and more bus lanes to speed up journeys.

The successful areas have been chosen because of their ambition to repeat the success achieved in London – which drove up bus usage and made the bus a natural choice for everyone, not just those without cars.

As the government stated in last year's national bus strategy, [Bus Back Better](#), areas not showing sufficient ambition, including for improvements to bus priority, would not be funded.

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In the meantime, a further £150 million is being provided across England to maintain service levels as patronage continues to recover after the pandemic.

Areas among those set to receive funding to help deliver on their [Bus Service Improvement Plans \(BSIP\)](#) include:

- Portsmouth
- Stoke-on-Trent
- Greater Manchester
- West Yorkshire
- West Midlands
- Liverpool City Region
- North East and North of Tyne Combined Authorities
- Reading
- Norfolk
- Luton
- York
- Warrington

Mayoral combined authorities will also receive money for buses from the [£5.7 billion City Region Sustainable Transport Settlements \(CRSTS\)](#).

Improvements in the pilot area, Cornwall, start imminently, funded by £23.5 million from the government.

From 10 April, most bus fares in the county will be slashed, with short hop fares down by 20%, longer journeys costing up to 40% less and some bus passes cut by almost 50%.

Passes for unlimited bus travel across Cornwall will cost just £5 per day (down from £9) or £20 per week. Town zones offer great value travel for just £2.50 per day or £10 for a week. For commuters travelling 5 days a week, that works out at just £2 a day or £1 per journey.

All tickets will be available on all operators' services and, in the summer, contactless tap-on and tap-off payments will be introduced, and buses will connect easily with the main rail line at stations across the county.

See: [Cheaper and better buses in £7 billion package to level up transport outside London - GOV.UK \(www.gov.uk\)](#)

## **England's largest ever seagrass planting hits new milestone**

England's largest ever seagrass restoration project has reached a new milestone by planting around 70,000 seed bags spanning 3.5 hectares of seabed, which will provide vital habitat for marine life.

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The £2.5 million LIFE Recreation ReMEDIES partnership to [‘Save Our Seabed’](#) led by Natural England and funded by the EU LIFE Programme, was launched in July 2019. It is seeking to protect and restore sensitive seabed habitats which are at risk.

Habitats such as seagrass meadows, mangroves and tidal marshes, are increasingly being recognised for their essential carbon capture abilities - seagrass can be as effective at absorbing and storing carbon as our woodlands. It also provides habitat for sea life including juvenile fish, seahorses and jellyfish, cleans surrounding seawater and helps to stabilise the seabed which can help to reduce coastal erosion. However, research shows the UK has lost at least 44% of its seagrass since 1936.

See: [England’s largest ever seagrass planting hits new milestone - GOV.UK \(www.gov.uk\)](#)

### **First £22 million MINERVA satellite supports 100 UK jobs**

The first in a network of new satellites to support military operations will be designed and built under a new three-year, £22 million contract with Surrey Satellite Technology Ltd (SSTL).

Helping to improve the UK’s ability to collect and process data from UK and allied space assets, the washing-machine-sized satellite is the first to be designed and built under MINERVA - a £127 million science, technology and innovation programme focussed on integrating space with land, air, sea and cyber technologies.

Supporting 100 high-skilled roles at the Guildford-based company, the contract covers the design and build of the 150-kilogram satellite. It is the critical first step in identifying the processing power, radio frequencies and imagery capabilities UK Space Command requires to provide timely space-based intelligence in support of UK Armed Forces.

See: [First £22 million MINERVA satellite supports 100 UK jobs - GOV.UK \(www.gov.uk\)](#)

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