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# How well is your business performing?

**It can be all too easy to constantly be immersed in the day-to-day running of your firm, yet taking the time to step back from the minutiae and evaluate your business's performance is crucial to its future success – especially in times of economic difficulty.**

**Even if your business is operating successfully, you should ideally conduct a performance review at least once a year. A thorough evaluation will not only highlight the strengths that will drive your business forward, it will also expose the weaknesses that may hinder its development. Listed below are some key areas to consider.**

### Your business objectives

As your firm grows and develops, so you should reassess your business strategies. Where is the business now? Where is it going and how will it get there?

Revisiting your original business plan is a good place to start. This will help emphasise areas where your business may have evolved since its fledgling stages and thus enable you to revise your strategy accordingly.

### Failures and successes

As part of your business review, you should analyse both what has and has not worked for the business, and use this knowledge when planning for the future. Consider all the possible reasons for both the successes and failures of your products and services, which may include: design and packaging; pricing structures; marketing; delivery processes or customer service. Also remember to take into account which products and services offer you the highest profit margins, as well as the highest sales levels.

### Your financial position

It is essential to review your finances regularly, and to look for new ways to increase profitability and reduce overheads. This should include an analysis of your current methods of finance, sales income and expenditure, profit margins, cash flow and credit procedures. And don't forget to talk to us to ensure that you are not paying more tax than is necessary.

### Sales and marketing

A business review offers you the opportunity to stand back from the activity outlined in your plan and look again at factors such as: changes in your market; new and emerging services; changes in your customers' needs; external factors such as the economy, imports and new technology; and changes in competitive activity.

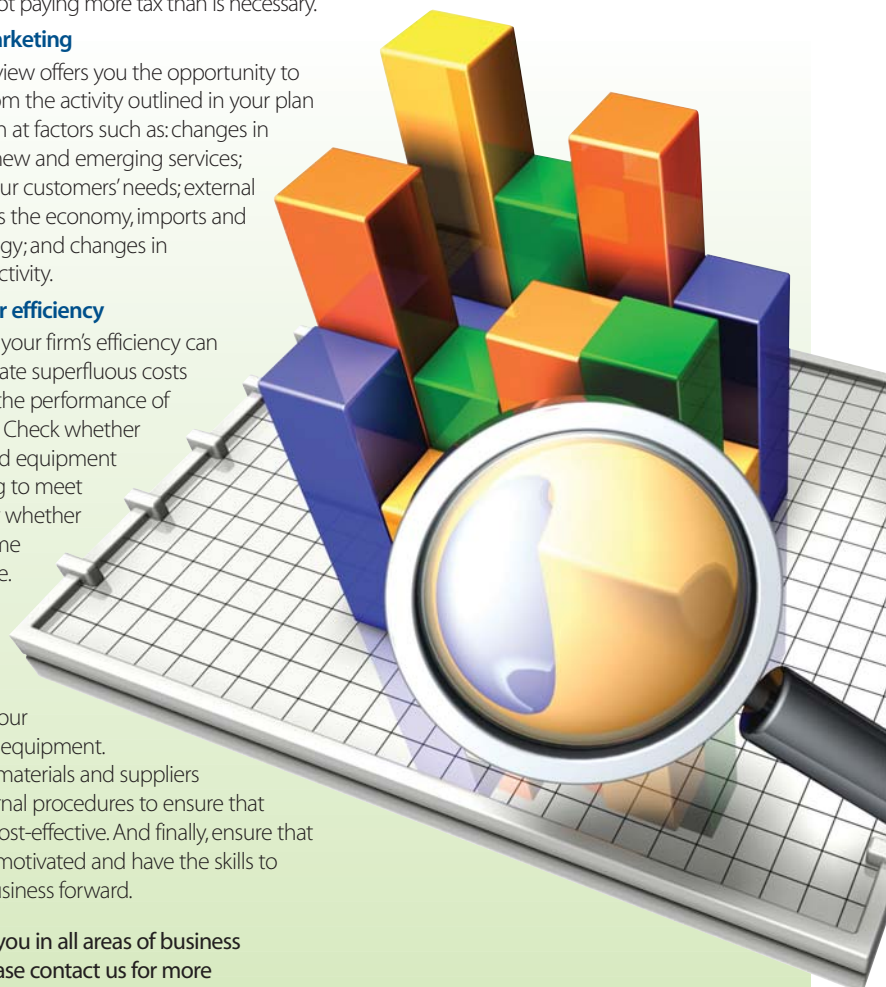
### Evaluate your efficiency

An analysis of your firm's efficiency can help to eliminate superfluous costs and improve the performance of your business. Check whether machinery and equipment are continuing to meet your needs, or whether it might be time for an upgrade. Likewise, consider improving the energy efficiency of your premises and equipment. Analyse your materials and suppliers and your internal procedures to ensure that they remain cost-effective. And finally, ensure that your staff are motivated and have the skills to move your business forward.

**We can help you in all areas of business planning. Please contact us for more information and advice.**

## Why Horsfield & Smith?

We are an independent firm of senior accountants and tax specialists. In our 113 year history, we have developed a reputation for professionalism with an individual touch. Equipped with a dynamic, progressive team, we build a relationship of trust with every client, large or small.



**Contact us** - whatever your needs we have the resources to help. Our team of experts are always pleased to welcome prospective clients to an initial discussion without charge or obligation. For more information call **0161 761 5231** or visit [www.horsfield-smith.co.uk](http://www.horsfield-smith.co.uk)

**Partners:**

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Book Keeping and VAT Return Preparation

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T. Martin Hardman FCA

## Protect your business against soaring utility costs

In times of economic difficulty, it is more important than ever to avoid unnecessary costs, and rising utility bills can represent a significant proportion of a firm's overheads.

Conducting a utility audit might seem like a time consuming distraction but you could be pleasantly surprised by how much it adds to your bottom line. By understanding your utility services and implementing conservation habits, you can reduce energy waste and develop energy savings and solutions.

Don't get left in the cold! Use the checklist (below) to identify potential savings for your business.

### Tick

- Have a member of staff responsible for checking all utility bills** – Make sure they know how the bills are calculated, what tariffs are available etc, and question any suspect charges
- Carry out your own readings of all energy and water meters each month** – Use the information to plot patterns of use
- Annually review the tariffs you use** – Not only do your usage patterns change, your suppliers also change the deals they offer
- Shop around for cheaper electricity and/or gas suppliers** – Even as suppliers raise their prices, you could shave pounds off your bills
- Monitor overnight energy usage** – Check if it is being used by essential equipment and if so that you have the best overnight tariff
- Make the best use of cheap rate electricity** – If you can arrange usage by water heaters etc so that 15% of total electricity usage occurs during off peak hours, you might benefit from switching to a day/night tariff
- If you are on a Maximum Demand tariff, review your supply capacity** – If your declared supply capacity is more than 15% higher than your highest Maximum Demand, contact your supplier to have it lowered
- Find ways to reduce usage during peak hours** – Try rescheduling non-essential activities
- If you are on a monthly tariff, check your power factor** – Check that you are not being penalised for a poor power factor
- If your site has more than one gas meter, make sure they are aggregated for billing purposes** – This can reduce both standing and unit charges and could lead to a better rate
- Make sure your water meter is the right size** – Standing charges are calculated according to meter size – don't pay for an unnecessarily large one
- Invest in energy efficient appliances and equipment** – Have you considered the enhanced capital allowances for energy-saving equipment? Contact us for more details of the allowances available to you.

## Resolving disputes in the workplace

In April 2009 various parts of the Employment Act are scheduled to come into force, including the repeal of the existing statutory dispute resolution procedures. Following the recommendations of the Gibbons Review, employers will now receive updated guidance on how to manage conflicts in the workplace and prevent potentially expensive – and lengthy – tribunal claims.

### Preventing conflict in the workplace

Minimise the likelihood of disputes developing in your workplace by considering the following tips.

**Establish formal procedures** – If you haven't already, it is essential to devise a company policy and procedure for dealing with dispute resolution, grievances and disciplinary matters. Moreover, ensure staff are aware of its existence and content. If appropriate, include it in induction and training programmes. And, once a procedure has been drawn up, ensure that it is kept up-to-date.

**Remain vigilant** – Most problems can be remedied if detected early enough. Be aware of triggers and indicators of discontent and deal with them appropriately to prevent a potential conflict further down the line.

**Brief employees** – Keep staff informed of any changes which could affect their working practice. Make sure everyone understands the company's goals and expectations and be as clear as possible about job descriptions, responsibilities, and territories.

**Provide appropriate training** – Ensure your managers and HR staff are equipped with the skills required to facilitate early conflict resolution and have a thorough understanding of company procedures.

### Resolving disputes: What to do

But how should you manage a conflict if one does arise, and what course of action is most appropriate? Below you will find a summary of the official ACAS guidelines on resolving workplace disputes.

#### 1. Early intervention

Early intervention in potential and emerging conflicts pays dividends in terms of avoiding unnecessary disruption, stress and waste of valuable management time. This initial stage often involves simply talking, and listening, to employees. Giving people the time and space to express their feelings and concerns can often help to clear the air. Employees also need to know who they can go to if they have a problem at work and that their concerns will be taken seriously.

#### 2. Investigate informally

In many disputes between individuals there is a clear transition from an informal to a formal stage in the conflict. Avoid making imprudent decisions and knee-jerk procedural solutions as this can often prove counterproductive, deepening discord and ill feeling. Rather, take the time to talk to colleagues and gather any relevant information about those involved.

#### 3. Use dispute resolution procedures

If an employee lodges an official grievance with a manager then the conflict has moved towards a more formal stage. If this happens you will need to revert to company procedures for dealing with such cases, and consider issues such as bullying, absence, and misconduct.

#### 4. Consider getting help

Don't get out of your depth – know when a conflict has become too complex and needs to be referred to an experienced internal or external mediator. A skilled mediator can take an objective and unbiased approach, which is particularly pertinent when the dispute has 'political' or highly sensitive interpersonal implications.

For more advice on dealing with disputes in the workplace, visit [www.acas.org.uk](http://www.acas.org.uk).

# Pushing paper out of the office

The term 'paperless office' has been used in business since the late 1970's, yet 30 years on, remarkably few organizations have rid themselves of paper filing. According to a recent poll, 65% of small and medium-sized enterprises (SMEs) have not yet made the transition to completely electronic filing.

So what are the pros and cons of going paperless?

## Save time

According to a recent study, the UK's SMEs waste more than £42.2 million per day in revenues searching for documents. However, with documents available to view at the touch of a button, an electronic filing system provides the ideal solution. Documents are stored in the same organised manner and searches will generate results within seconds, freeing up time for more productive purposes.

## Improve accessibility

A digital document management system will allow all authorised users to view the same document at once, which is particularly beneficial when a company has premises at multiple locations. It can also provide increased flexibility, enabling staff to work remotely from home.

## Automatic audit trail

With businesses required to adhere to stringent guidelines on compliance, records often need to be stored for many years. A digital document management system does not impose limits on the volume of documents that may be retained and, with a unique identification number assigned to each document, an audit trail will be generated automatically.

## Reduce costs

Perhaps the most notable impact of moving to a paperless office is the reduction in the cost of printing and mailing. Less paper will also mean less storage, so it may be possible to minimise warehousing costs or eliminate them entirely.

## Increased security

Implementing a digital document management system allows documents to be stored securely. If necessary, restrictions can be put in place to ensure that only authorised personnel are permitted to access certain files. Paper documents, however, could easily fall into the wrong hands.

## But remember...

Whilst electronic filing has numerous benefits, it also brings its own risks. Should computer systems fail, a substantial loss of data could have serious consequences. Install software that regularly backs up your information to help minimise such a threat.

And don't forget, making the transition to a paperless environment requires a lot of work. Brief employees on the company's electronic aims and ensure that everyone remains committed to the cause.

You may also want to consider the following tips:

- Purchase a high-quality scanner for converting paper documents into digital files
- Invest in a digital document management system – this is crucial for managing and backing up vital information
- Set realistic goals and expectations – don't expect to electronically convert your entire office immediately.

The process will take time and patience, so draw up a schedule for each department.



# Is it time to review your pension contributions?

With some reports suggesting that millions of pounds have been wiped off the value of the UK's pension pot, sound planning is essential to achieving the desired standard of living in later years. If you are making regular contributions into a personal pension scheme, you should review how much is actually ending up in the scheme to be invested for your future pension.

The reduction in the basic rate of income tax from 22% to 20% for 2008/09 results in a corresponding reduction in the amount reclaimable from HMRC by the pension trustees. This means that in order to maintain the same gross input to your pension scheme your net contribution would need to be increased accordingly.

For example, in order to maintain a gross input of £600 a month, net contribution would need to rise from £468 to £480. At the same time, for 40% taxpayers, higher rate tax relief will balance things up – the additional £12 going into your pension scheme will be matched by an additional £12 of higher rate tax relief through your PAYE code, or when we complete your self assessment Tax Return. If you are employed, rather than self-employed, it can be more tax efficient for your employer to make contributions directly into your pension scheme, instead of you making your own contributions.

	Employee contribution (£)		Employer contribution (£)		
	Pension Scheme	Individual income	Employer Cost	Pension scheme	Employer Cost
Gross Salary		695	695		
PAYE		(139)			
National Insurance		(76)	89		
Net Salary		480			
Pay into Pension Scheme	480	(480)		600	600
Income tax reclaim	120				
Gross cost			784		600
Corporation Tax relief (21%)			(165)		(126)
<b>Net cost to employer</b>			<b>£619</b>		<b>£474</b>
<b>Total pension scheme input</b>	<b>£600</b>			<b>£600</b>	

The total saving made when your employer pays into your pension fund directly is £145 (£619-£474), and that's just on a relatively small contribution of £600! However, salary sacrifice is not appropriate for all and there are strict rules to be observed. Please contact us for more information.

If you are already over the pensionable age set for your particular pension scheme, which may be only 50 years (55 from 6 April 2010), you can withdraw a tax-free lump sum of 25% of your pension fund. Technically you also need to withdraw a regular pension, which can be set at a minimal level, to be increased when you need a regular income.

You don't need to retire to start to draw on your pension fund. You can also carry on making tax efficient contributions to other pension schemes, possibly with the same company, until you reach age 75.

There are some tax rules to be aware of when you are both withdrawing from and paying into pension schemes in the same tax year, so please talk to us first.

## Web Watch

### Essential sites for business owners

[www.personneltoday.com](http://www.personneltoday.com)

Useful information and legal guides on a wide range of employment-related issues

[www.smallbusinessjourney.com](http://www.smallbusinessjourney.com)

Information on responsible business practice developed specifically for SMEs

[www.consumerfocus.org.uk](http://www.consumerfocus.org.uk)

Official site of the new consumer watchdog, offering help and advice for energy customers

[www.hse.gov.uk](http://www.hse.gov.uk)

Useful information for businesses on health and safety legislation

## Reminders for your Winter Diary

### January 2009

- 1 Due date for payment of Corporation Tax for period ended 31 March 2008.
- 14 Due date for income tax for the CT61 quarter to 31 December 2008.
- 19/22 Quarter 3 2008/09 PAYE remittance due.
- 31 First self assessment payment on account for 2008/09.  
Capital gains tax payment for 2007/08.  
Balancing payment – 2007/08 income tax/class 4 NICs.  
Last day to renew 2008/09 tax credits.  
Deadline for amending 2006/07 Tax Return.  
Last day to file the 2008 Tax Return online.

### February 2009

- 1 £100 penalty if 2008 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2007/08 tax not yet paid.
- 2 Last day for notifying car changes in quarter to 5 January – P46 (Car).
- 14 Last date (for practical purposes) to request NIC deferment for 2008/09.
- 28 Last day to pay any balance of 2007/08 tax and Class 4 NIC to avoid an automatic 5% surcharge.

These articles are intended for guidance only. You should seek professional advice in relation to your individual circumstances.

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## Legislation Round-Up

### Agency workers gain equal rights

From 27 October 2008, agency workers on contracts of less than three months' duration are entitled to statutory sick pay under the Fixed-term Employees (Prevention of Less Favourable Treatment) (Amendment) Regulations 2008.

Previously, employees under fixed-term contracts who were employed through an agency had a different entitlement to statutory sick pay in comparison to other workers.

### Important changes to company accounts

#### Increase in late filing penalties

First introduced in 1992, late filing penalties were intended to encourage directors of limited companies to file their accounts on time for the purpose of public records.

However, from 1 February 2009 the penalties for filing accounts late at Companies House are to be greatly increased. Further penalties will also arise for companies who file more than one month late. The penalties are as follows:

How late are the accounts delivered?	Penalty Private Company	Penalty Public Company
Not more than 1 month	£150	£750
More than 1 month, but not more than 3 months	£375	£1,500
More than 3 months, but not more than 6 months	£750	£3,000
More than 6 months	£1,500	£7,500

Furthermore, where the previous financial year's accounts were filed late (and that previous financial year had begun on or after 6 April 2008), then the penalty will be double that shown in the table above.

#### Shortening of filing dates

Meanwhile, dates for filing accounts at Companies House have also been changed. In respect of accounting periods beginning on or after 6 April 2008:

- For private limited companies, the date by which accounts have to be filed at Companies House is reduced from 10 months to 9 months following the accounting reference date.
- For public limited companies, the date by which accounts have to be filed at Companies House is reduced from 7 months to 6 months following the accounting reference date.

If you would like more information on any of these changes, please contact us.

## Business Round-Up

### Apprentices to receive pay boost

Apprentices are to receive a higher minimum wage under new plans unveiled by the Government. Skills Secretary John Denham has announced that the minimum rate of pay for apprentices in England will rise from £80 to £95 per week. Approximately 26,000 apprentices are expected to benefit from the £15 increase, which is likely to take effect from August 2009.

### New consumer watchdog is launched

A new consumer watchdog has been launched following the amalgamation of the National Consumer Council, Energywatch and Postwatch. Consumer Focus, which went live on 1 October, will work on behalf of consumers in England, Wales, Scotland and, for postal customers, Northern Ireland.

The Government claims the group will have greater powers than the organisations it replaces, including the ability to investigate consumer complaints. However, the business community has voiced concerns over the new

body, claiming that the demise of the former champion Energywatch will jeopardise consumer protection.

### Changes to R&D Tax Credits come into force

Small and medium-sized enterprises (SMEs) can now benefit from important changes to Research and Development (R&D) tax credits, which came into effect on 1 August 2008.

As announced in the Budget, but subject to State Aid approval, the changes mean that SMEs can now claim R&D tax credits on 175% of their investment (up from 150%). This means qualifying companies are able to claim a share in a pot estimated at approximately £300 million.

The size of company that can qualify for tax relief has also been raised from 250 employees to up to 500 employees, with the associated limits on balance sheet value and turnover also doubling.

Ministers hope the new rules will encourage more small businesses to invest in developing new and improved products, as well as other innovative ventures. To discuss this scheme in more detail and for further advice on funding for your business, please contact us.



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