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!

Six Lessons for Businesses from Royal Mail's Return to Profit

After three years of losses, it's been reported that Royal Mail has returned to profit under its new owner, Czech billionaire Daniel Kretinsky.

While the £12m profit (excluding redundancy costs) is modest compared to the £336m loss the year before, it marks an important shift for a company that has faced falling demand, rising costs, and hits to its reputation.

Royal Mail's story provides food for thought on what it takes to adapt and grow your business in tough market conditions. Here are five lessons.

1. Shift Focus to Growth Areas

Royal Mail recognised that letter volumes are in long-term decline (down 4% in the latest year), but parcel volumes are rising (up 6%). By pivoting investment and strategy towards parcels - where customer demand and profitability lie - the business is working to realign itself with market reality.

The lesson? Analyse your income streams to see if there are any areas where customer demand is increasing. Then focus more resources in that area, even if it means letting go of parts of the business that once seemed core.

2. Streamline Operations

Royal Mail has already stopped second-class letter deliveries on Saturdays to save costs. The Universal Service Obligation (USO) requires Royal Mail to deliver letters six days per week, Monday to Saturday, and parcels Monday to Friday.

However, the USO is currently being reviewed and Royal Mail has argued that reducing second-class deliveries to every other weekday would save up to £300 million a year. It feels this would give it a "fighting chance."

The lesson? Regularly review the way your business operates to see if you're doing work that drains resources but adds little value. Small changes in the way you do things could unlock big savings.

3. Innovate for Customer Needs

Royal Mail plans to install 3,500 solar-powered parcel post boxes across the UK. Solar panels on the top of the post boxes will power a digitally-activated drawer allowing for the posting of items as large as a shoebox.

Customers will be able to use the Royal Mail app to use the service and can request proof of posting and tracking of their parcel, making it a more convenient way for customers to send small parcels.

The lesson: Innovation not only can improve your reputation as a sustainable business but also help you better meet the needs of your customers. Innovation doesn't have to be high-tech or complicated. Ask: 'What small changes would make my customers' lives easier?'

4. Invest in Brand and Trust

Despite foreign ownership, Royal Mail kept its name, UK headquarters, and tax residency for at least five years. This was an agreed condition when Royal Mail was bought out, and the government has kept a so-called "golden share" that allows it veto rights on certain changes. However, this requirement has helped to maintain continuity and trust with customers.

The lesson? In times of change, you can reassure your customers by keeping the things they rely on most consistent – whether that's your level of service, how you communicate with them, or the quality of your products. Familiarity helps build trust and loyalty.

5. Be Willing to Make Tough Calls

Royal Mail has shed staff, absorbed strikes and endured reputational knocks. Yet leadership has made difficult and sometimes unpopular choices to put the company back on a sustainable path.

The lesson? Growth often requires tough decisions, whether on staffing, pricing, or cutting loss-making activities. Avoiding them only delays how long it can take to put the business back on a positive footing.

6. Adapt Business Models to Long-Term Trends

The shift from letters to parcels reflects a deeper societal trend - digital communication replacing paper. Royal Mail's survival depends on embracing this shift rather than resisting it.

The lesson? Take time to examine what the long-term trends in your industry are. Are you positioned to thrive in five or ten years' time, or might you be clinging to models that show signs of being in decline?

What's the key takeaway from all this?

Royal Mail's modest profit shows that even a 500-year-old organisation can adapt when forced to. Focusing on growth areas, cutting what no longer works, innovating around your customers' needs, investing in trust, making tough calls and staying in touch with long-term trends can help your business continue to grow and thrive.

If you'd like to talk through how these kinds of lessons could apply to your own business – whether that's managing costs, adapting services, or keeping customers onside – we'd be happy to help!

See: https://www.bbc.co.uk/news/articles/cger3w129l0o

Rising Borrowing Costs Put Pressure on the Chancellor

The UK government is facing a fresh financial squeeze after long-term borrowing costs climbed to their highest level in a generation. The yield on 30-year government bonds (known as gilts) has reached 5.72% – the highest since 1998.

For the government, this means it is now significantly more expensive to borrow money, adding pressure on Chancellor Rachel Reeves to increase taxes ahead of the Budget later this year.

For businesses, tighter government finances could shape tax and spending decisions over the coming months.

Why borrowing costs matter

Governments raise money by selling bonds to investors, promising to repay them in future with interest. The yield on those bonds – effectively the interest rate – has been rising for months. Higher yields mean the government must spend more just to service its debt, reducing the funds it has available for day-to-day spending or investment.

Rachel Reeves has set herself two “non-negotiable” fiscal rules:

- By 2029–30, all day-to-day government spending must be funded through tax income rather than borrowing.
- Government debt must be falling as a share of national income by the same year.

The challenge is that her buffer – the margin of safety built into her plans – is slim at around £10bn.

Why are costs going up?

The UK is not alone. Yields have been climbing in Germany, France, the Netherlands and the US. Several factors appear to be driving the change.

The World Trade Organisation has said the world is currently “experiencing the largest disruption to global trade rules” in 80 years, with the impacts from the US tariffs perhaps not likely to be fully felt until next year.

It also appears that investors may be selling off UK government debt due to concerns over the government’s financial plans, and this increases the rates that need to be offered to attract investors.

What this means for the Autumn Budget

One economist has estimated that Reeves may need to find between £18bn and £28bn in extra revenue at the Budget to avoid breaking her own fiscal rules. That raises the likelihood of tax rises.

The government has so far stuck to its manifesto pledge not to raise income tax, VAT, or national insurance for "working people". Assuming this continues, that limits the options available for raising taxes, but several possibilities are being speculated on. These include:

- Extending the freeze on income tax thresholds – this so-called "stealth tax" drags more people into higher tax bands as wages rise.
- Reforming property taxes and stamp duty.
- The introduction of National Insurance for landlords.

At this stage, these remain as speculation but they indicate that the Autumn Budget could be a challenging one. For the Chancellor, the challenge is not only meeting her fiscal rules but doing so in a way that maintains confidence in the UK economy.

<u>What this could mean for your business</u>

For business owners, the headlines about bond yields and borrowing costs might seem distant, but the consequences could well be felt over the coming weeks:

- Potential tax changes – measures could be introduced to raise revenue.
- Economic headwinds – higher borrowing costs for the government may translate into higher financing costs across the economy, including for businesses seeking loans or investment.
- Policy uncertainty – until the Budget is delivered, businesses may find it harder to plan for tax and cost pressures.

<u>Looking ahead</u>

For businesses, the best approach for the next few months may be to plan cautiously. For instance, it would be worth stress-testing your business finances to see how they would cope with possible tax rises or higher borrowing costs.

The Budget later this year will set the direction for government finances and, by extension, the business environment. Rising borrowing costs have narrowed the Chancellor's options, meaning that decisions in the autumn could well have direct consequences for businesses across the UK.

We will continue to keep you posted on the Budget news, but in the meantime, if you would like any help looking at how your business finances may be affected, please give us a call. We would be happy to help you!

See: https://www.bbc.co.uk/news/articles/cy989njnq2wo

ICO Launches Consultations on New Data Protection Rules

The Information Commissioner's Office (ICO) has begun consultations on two important changes coming into force under the new Data (Use and Access) Act 2025 (DUAA).

The consultations focus on:

- Recognised legitimate interest – a brand new lawful basis for handling personal information.
- Data protection complaints – new requirements for all organisations to have a process in place for handling complaints.

Recognised legitimate interest

This new lawful basis is separate from the existing "legitimate interests" ground and allows organisations to use personal information more confidently for certain pre-approved situations. These include:

- Crime prevention and public security.
- Safeguarding and emergencies.
- Sharing information to help another organisation carry out its public tasks.

The ICO will be providing detailed guidance and examples to help organisations apply this new lawful basis correctly. Public authorities, however, are expected to continue using the existing "public task" lawful basis.

The consultation on this area closes on 30 October 2025.

Data protection complaints

By June 2026, every organisation must have a process in place for handling data protection complaints. Complaints could come from anyone unhappy with how their personal information has been used.

The new Act requires organisations to:

- Give people a way of making data protection complaints to them.
- Acknowledge they have received a complaint within 30 days of receipt.
- Take appropriate steps to respond to a complaint, including making appropriate enquiries and keeping people informed, without undue delay.
- Telling people the outcome of their complaints, also without undue delay.

The ICO's draft guidance explains the new requirements and what organisations must, should and could do to comply. Helpful tips and practical advice are included.

The consultation on this guidance is open until 19 October 2025.

What next?

Deputy Commissioner Emily Keaney emphasised the importance of these consultations: “These consultations provide us with a real opportunity to listen, learn and lead with clarity and we encourage all interested parties to engage with our consultations and help shape our final guidance to ensure it is robust and fit for purpose.”

Whether you plan to respond or not, reviewing the draft guidance could help you plan ahead for the June 2026 deadline as you assess whether you already have a clear process for handling complaints and, if not, what changes are needed.

See: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2025/08/ico-launches-consultations-for-data-use-and-access-act-2025-amendments/

Aldi Leads the Way on Pay: Is High Pay a Good Approach?

Aldi introduced a pay boost last week for its store assistants that will see their pay rise to at least £13.02 per hour nationwide, making it the first UK supermarket to pass the £13 mark. Within the M25, rates will start at £14.35, rising to £14.66 with length of service. All staff, regardless of age, will receive the same minimum rate – well above the new National Living Wage of £12.21.

This move follows Aldi’s policy of paid breaks, worth around £1,425 per year to the average store colleague, further strengthening its reputation as a leader on pay and conditions.

What are the benefits of Aldi’s approach? Are there downsides?

The benefits of Aldi’s approach

Higher pay can certainly deliver some clear business advantages. These include:

- Attracting and keeping staff – competitive pay helps reduce staff turnover, which saves on recruitment and training costs.

- Boosting productivity – well-rewarded employees are more motivated, which can translate into better customer service and improved store performance.

- Positive brand image – standing out as an employer that values its workforce helps Aldi with recruitment, customer loyalty, and wider reputation.

- Consistency for staff – paying the same rate regardless of age supports fairness and can create a stronger workplace culture.

The potential downsides

However, not every business can match Aldi's scale and financial muscle. Many businesses do not have sufficient buying power or margins to be able to absorb increased pay rates.

As large employers raise pay, staff in smaller businesses may expect similar increases, putting those businesses under pressure to follow suit and increase wages.

What can you do?

Aldi's move shows how pay can be used strategically, not just as a cost but as an investment in people and performance.

For smaller businesses, the lesson may be less about matching Aldi pound-for-pound and more about finding sustainable ways to reward staff – whether through competitive pay, fair contracts, or other benefits that support recruitment and retention.

See: https://www.gov.uk/government/news/supermarket-staff-receive-industry-leading-pay-rise-as-minister-celebrates-businesses-going-above-and-beyond-to-support-their-workers

Business Finance Week Coming This Autumn

From 30 September to 9 October, the British Business Bank will host Business Finance Week – a nationwide programme of free events designed to help smaller businesses get to grips with their funding options.

The programme includes in-person events across the UK as well as online webinars, making it accessible whether you prefer to attend locally or join from your desk.

For many small and growing businesses, finance can be one of the toughest areas to navigate. With so many options available – from loans and grants to equity and alternative finance – it's not always easy to know which is the right fit. Business Finance Week aims to cut through the complexity.

For a full list of upcoming events, see: https://www.british-business-bank.co.uk/news-and-events/events/business-finance-week

Government Brings in Productivity Expert to Drive Growth

The government has announced that Professor John Van Reenen, a leading economist from the London School of Economics, will be advising the Chancellor directly on how to improve the UK's productivity.

His appointment is part of the government's Plan for Change, aimed at boosting economic growth and raising living standards across the country.

Professor Van Reenen is an academic who has focused on productivity, innovation, and how businesses perform. He previously served as Chair of the Chancellor's Council of Economic Advisers. In this new role, he will spend one day a week without pay for 12 months working with the Treasury, starting in September.

What this could mean for businesses

Productivity – how much value is created for the time and resources put in – is still a concern for the government. Low productivity growth can be a drag on wages and business competitiveness.

Rachel Reeves, the Chancellor of the Exchequer, said: "We still have work to do to build an economy that works for working people." She believes that Professor Van Reenan's appointment will help to bring that about.

For businesses, the appointment may indicate what future policies may appear over the coming year, such as:

- Supporting investment in new technology and processes.
- Encouraging training and skills development.
- Making it easier to scale and grow operations.
- Creating a more stable environment for long-term planning.

This appointment on its own won't transform the economy, but it highlights that productivity is on the agenda for the next year.

See: https://www.gov.uk/government/news/chancellor-appoints-growth-adviser

Business Property Revaluations – Be Ready for 2026

The Valuation Office Agency (VOA) is encouraging businesses to sign up for a business rates valuation account so they can find out their new commercial property valuation.

Every three years the VOA updates the rateable values of all business properties in England and Wales. The next revaluation will take effect on 1 April 2026, based on open-market rental values as at 1 April 2024.

Business rates are calculated from your property's rateable value. This is not the same as your final bill, but it is the starting point. Local councils apply a multiplier and any relevant reliefs to arrive at what you actually pay.

The new valuations will be published a few months before next April. Signing up for a business rates valuation account will give you access to your property's details and allow you to find out what your future rateable value will be as early as possible.

Your account will also allow you to:

- Check that the VOA has the right details for your property.
- Let the VOA know if something’s wrong.
- Understand how your property’s valuation was worked out.
- Tell the VOA if you believe your current property valuation is incorrect.

Having information as early as possible will give you extra time to plan for any changes to your business rates bill rather than having to react when it arrives.

See: https://www.gov.uk/government/news/stay-informed-about-your-business-rates