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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!

Choosing the best way to finance business asset purchases: Lease, Contract Hire or Hire Purchase?

Picture this: your business is booming, and it's time to invest in some new equipment or a company vehicle. But with so many financing options out there, how do you decide which one of them is right for you? Let's break down three popular choices – leasing, contract hire, and hire purchase – so you can make an informed decision without getting lost in financial jargon.

<u>Lease</u>

Leasing means renting an asset (such as machinery, vehicle or computer) from a finance company for a set period. After the lease term ends, you usually return the asset, although sometimes there is an option to be able to buy it.

Short-term rentals where the payments cover the asset's use, rather than its full value, are known as operating leases. At the end of the lease, you return the item and can lease a newer model.

Longer-term rentals where the payments cover the full value of the asset over time are known as finance leases. The leasing company legally owns the item, but you use it as if is yours.

Here's why leases can be good:

- Better cashflow: Low upfront costs and spread-out payments help keep your cash in hand.
- Stay updated: Easily upgrade to newer equipment or vehicles.

Here are some things to think about with leases:

- No ownership: You don't own ever own the asset.
- Higher long-term cost: Over many years, leasing can be more expensive than buying.

<u>Contract Hire</u>

Contract hire is often used for vehicles. Contract hire is like leasing, but usually includes maintenance and servicing in the monthly payments.

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Here’s why contract hire can be good:

- Fixed costs: You’ll know exactly what you’ll pay each month, including upkeep.
- Cash flow friendly: Like leasing, it spreads out the cost.

Here are some things to think about with contract hire:

- Mileage limits on vehicles: Exceeding agreed mileage can cost extra.
- No ownership: You can’t keep or modify the vehicle.

Hire purchase

With hire purchase, you buy the asset over time. You make a deposit and then regular payments. Once all payments are made, you own the asset.

Here’s why hire purchase can be good:

- You own it: At the end, the asset is yours.
- Predictable payments: Fixed monthly payments make budgeting easier.

Here are some things to think about with hire purchase:

- Bigger upfront cost: Requires a higher initial deposit compared to leasing.
- Maintenance responsibility: You’re in charge of upkeep and repairs.
- Cash flow impact: Higher monthly payments can strain cash flow initially.

Making the decision

To choose the best option for you, you may want to consider the following points:

1. Cash flow: How much can you afford each month? Leasing and contract hire usually have lower monthly payments.
2. How long you’ll use it: If you need the asset short-term or it becomes outdated quickly, leasing or contract hire might be best.
3. Ownership needs: If owning the asset is crucial, hire purchase is the way to go.
4. Financial impact: Leasing keeps liabilities off your balance sheet, while hire purchase adds both an asset and a liability.

Conclusion

Choosing how to finance your new asset doesn’t have to be complicated. By considering your businesses cash flow, how long you’ll need the asset, and whether ownership matters, you can pick the best option for you.

<u>Tax can also be a factor in the decision. For personalised advice, please feel free to contact us at any time. Our team of experts is ready to help you navigate the complexities of asset financing and find the best solution for your business.</u>

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Business Insights

The Office for National Statistics conducts a fortnightly Business Insights and Conditions Survey (BICS). The voluntary responses received from the latest survey revealed the following insights.

Worker shortages decreasing

21% of businesses with 10 or more employees said that they are experiencing worker shortages. This has reduced since May 2023 where 28% of businesses were reporting shortages at that time.

More sales are happening

21% of businesses reported that their turnover had decreased in April 2024 when compared with March 2024. This is a similar proportion to last month.

However, 19% reported that the turnover was higher. Last month this was 16%, and so suggests that, in line with the recent exit from recession, there is more sales activity happening.

This seems to be feeding into optimism for businesses, since 18% of businesses reported expecting a drop in turnover in June 2024, compared with 22% who expected lower turnover in May 2024. 59% of businesses expect turnover to stay the same, compared with 56% last month.

National Living Wage increases hard to absorb

13% of businesses said that the price of their goods or services sold in April 2024 had increased compared with March 2024, compared to 9% reporting similarly last month. This is the largest proportion since June 2023 and many businesses have commented that they have been unable to absorb the cost of the National Living Wage increase.

To review the information in full, see:
https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/businessinsightsandimpactontheukeconomy/23may2024

Digital Markets, Competition and Consumers Act becomes law

The Digital Markets, Competition and Consumers Act has now received Royal Assent and become law in the UK. This new legislation aims to protect consumers and promote fair competition, particularly targeting large technology companies.

Here’s a summary of the key points of the Act:

Consumer Protection:

- Clearer Subscriptions: Businesses must provide transparent information about subscription costs, remind consumers when trials are ending, and make it easy to cancel subscriptions.

- Hidden Fees: All costs, including any hidden fees, must be clearly stated upfront. This should end the problem in online shopping of being caught by unexpected charges when checking out.

- Fake Reviews: The Act bans fake reviews, ensuring consumers can trust the feedback they see online.

Empowering Regulators:

- Competition and Markets Authority (CMA): The CMA now has more power to stop big tech companies from unfairly disadvantaging competitors and consumers.

- Market Conduct: The CMA can set specific rules for powerful tech companies to ensure fair treatment of users and competition.

Penalties:

- Companies that break these rules could face significant fines, potentially in the tens of billions of pounds.

- The CMA can enforce these rules directly, ensuring swift action against violators.

Additional Oversight:

- The Act also gives new powers to the CMA to monitor road fuel prices to help prevent any malpractice in that sector.

In essence, this Act is designed to create a fairer, more transparent market environment, especially in the digital space, benefiting both consumers and businesses by ensuring honest practices and fair competition.

See: https://www.gov.uk/government/news/digital-markets-competition-and-consumers-act-receives-royal-assent

Report on Companies House progress released

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The Economic Crime and Corporate Transparency Act 2023 brought in reforms to Companies House procedures and powers with the first phase applying from 4 March 2024.

The reforms will contribute to making the information held in the company register more reliable and usable, protecting individuals and businesses from fraud and preventing the misuse of UK companies by international money laundering networks.

The Department for Business and Trade has published a progress report on the implementation and operation of the Act and will continue to do so every 12 months until 2030.

The report notes that between 4 March and 1 April 2024, Companies House had:

- Removed 4,000 inappropriate registered office addresses.
- Removed 2,100 officer addresses and 2,300 people with significant control addresses.
- Redacted 3,600 incorporation documents to remove personal data used without consent.
- Removed 1,250 documents from the register, including 800 false mortgage satisfaction findings that would previously have required a court order to remove.
- Contacted 3,800 companies that have PO Boxes as their registered office address to make them aware these were no longer legally compliant and asking for an alternative appropriate address. By 1 April 2024, the number of companies using a PO box had been reduced to 1,900.

Companies House have made further changes to the way companies are set up so that it is much harder to make anonymous filings and discourage those who try to hide company ownership through nominees or opaque corporate structures.

To read the report in full, see: https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-act-2023-progress-report

£750,000 fine for data breach … it could have been £5.6 million!

A spreadsheet released by the Police Service of Northern Ireland (PSNI) in response to a freedom of information request contained personal information about all 9,483 serving PSNI officers and staff. The information which was included in a “hidden” tab in the spreadsheet was published online.

The Information Commissioners Office (ICO) found that PSNI’s internal procedures and sign-off protocols for safely disclosing information were inadequate.

The information released has created a heavy impact on the lives of many. Because of the fear of threat to life, some have had to move house, cut themselves off from family members or completely alter their daily routines. Naturally, this has caused anxiety and distress not just to those affected but also their family and friends.

The ICO have fined the PSNI a provisional amount of £750,000 for the breach. However, in arriving at this amount they applied a "public sector approach." This allows them to ensure that public money isn't being diverted from where it is needed. Without this approach, the ICO would have set the fine at £5.6 million!

Bearing in mind these consequences, both to people's lives and financially, this case serves as a reminder that businesses need to ensure that they have robust measures in place to protect personal information.

See: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/05/psni-facing-a-750k-fine-following-spreadsheet-error-that-exposed-the-personal-information-of-its-entire-workforce/

New guidance issued on machine learning principles

The National Cyber Security Centre (NCSC) has issued guidance to help developers, engineers, decision makers and risk owners in creating and using machine learning systems.

Machine learning is a type of artificial intelligence where computers find patterns in data or solve problems automatically.

To explain, imagine you're teaching a child how to recognise different animals. Instead of telling them all the rules to identify a cat or a dog, you show them lots of pictures of cats and dogs and tell them which is which. Over time, they get better at telling cats from dogs just by looking at them.

Machine learning is like that, but for computers. Instead of giving the computer a strict set of instructions for every possible scenario, you feed it lots of examples and it learns from these. For instance, if you want a computer to recognise emails that are spam, you show it many emails that are labelled as "spam" and 'not spam." The computer looks at all the examples and starts figuring out the patterns. Then, when it sees a new email, it can guess whether it's spam based on what it has learned.

In simple terms, machine learning is about teaching computers to learn from examples so they can make decisions or predictions on their own.

The pace of development in machine learning is high and NCSC are concerned that security could be left as a secondary consideration. They are encouraging that security be made part of the design from the outset and that it be a core requirement throughout the life cycle of the machine learning system.

The new guidance includes principles that can help developers, engineers, and decision makers to make informed decisions about their system. The end goal being to assure stakeholders and end users that a machine learning system is safe and secure.

To review the guidance in full, please see:
https://www.ncsc.gov.uk/collection/machine-learning-principles

Reforms to leasehold properties becomes law

The Leasehold and Freehold Reform Act has become law and will affect owners of freeholds for leasehold properties as well as house builders.

The new reforms mean that leaseholders no longer have to wait two years before they can buy or extend their lease. If they do extend their lease, the Act increases the standard lease extension term to 990 years for both houses and flats. Previously this was 50 years for houses and 90 years for flats. These changes are designed to allow leaseholders to have more security in their home.

Sales of new leasehold homes are now banned so that, other than in exceptional circumstances, every new house in England and Wales will be freehold from the start.

Freeholders and managing agents are now required to issue bills in a standardised format to make charges more transparent, and it will now be easier and cheaper for leaseholders to take over management of their own building.

The government also requires freeholders who manage their building themselves to belong to a redress scheme. This was already a requirement for managing agents.

For more details on the changes, please see:
https://www.gov.uk/government/news/leasehold-reforms-become-law

Fisheries & Seafood Scheme reopens for applications

The Fisheries and Seafood Scheme (FaSS) has reopened for grant applications. An additional £2 million of funding has been made available to support England's seafood sector.

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The scheme is administered by Marine Management Organisation (MMO) on behalf of the Defra and is designed to help the fisheries and seafood sector in a number of ways. Health and safety of fishing crews, the value and quality of fisheries products, modifications that improve the energy efficiency of vessels, mitigating climate change, and innovations that support the longevity and diversification of the seafood sector all come within the aims of the scheme.

FaSS has award over £27 million to over 1,300 fisheries projects in England since it opened in May 2021. The additional funding provides an opportunity for further projects to receive funding over the next year.

Funding is being granted on a first come first served basis. Once all funding has been allocated, the scheme will close.

All projects funded by FaSS need to be completed by the time the scheme closes on 31 March 2025.

For more information about FaSS, eligibility and how to apply, see: https://www.gov.uk/guidance/fisheries-and-seafood-scheme