

IN BUSINESS

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The Moore and Smalley magazine
for owner managed businesses

‘HARNESSING MOTHER NATURE’

**CAN WE USE THE POWER OF THE
ELEMENTS TO OUR ADVANTAGE?**

**DATA CORRUPTION GRASMERE HOSTEL
RENOVATION RENEWABLE ENERGY
WORKPLACE PENSIONS BUDGET 2011 UPDATE
MOORE AND SMALLEY IN THE NEWS**

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ISSUED IN SPRING/SUMMER 2011

MOORE & SMALLEY
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Welcome

Welcome to the Spring 2011 edition of In Business. Since our last issue the chancellor George Osborne has delivered his first full budget. As expected, it was not a 'tax giveaway' budget, but the chancellor did announce lower than expected tax rates for companies, as well as increasing a number of tax reliefs. In his article on page 7, my fellow tax partner, David Bennett provides a really useful summary of the changes that are most likely to have an impact on SMEs in our region.

The government also announced on budget day that it wants to be the 'greenest ever'. To add some credentials to the claim, the chancellor announced in the budget that the Green Investment Bank will have an initial capitalisation of £3 billion, not the £1 billion previously assigned, and will launch a year early in 2012/13. At Moore and Smalley we've also been taking a closer look at renewable energy. The centre pages of this issue discuss the different ways to generate energy from renewable sources. Which is better sun, wind or water? Turn to page 4 to read our viewpoint article.

I hope you enjoy reading this issue.



Rachel Marsdin
Partner



Cover image: Eric Morecambe statue



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Protecting your Sage Accounts data

The integrity of your Sage Accounts data is very important to you and data corruption is a serious risk to any business system, the resulting data loss or damage can be very costly in terms of time and money.

What is data corruption?

Data corruption means that a data set has been damaged. In Sage Accounts, corruption is normally identified when the 'check data' routine identifies errors in your data.

Corruption can be caused by environmental influences outside the software itself, such as PC crashes, power failure, virus infection, interference from other software, hardware or network problems.

What effect does this have on my data?

Since data corruption indicates damaged or even missing data, to prevent duplication of work, down time, data loss or data integrity problems, you must resolve it as quickly as possible.

How do I identify corruption?

Data corruption is most easily recognised when the 'check data' routine returns a list of errors. Running the 'check data' routine on a regular basis is vital in ensuring the integrity of your data.

Other indicators that a data set may be damaged, include:

- Software crashes or freezes.
- Software windows show strange or random characters.
- Recently posted transactions are missing from your audit trail.
- Backup files fail to restore.

How do I minimise the risk of corruption

The following steps help to minimise the possibility and impact of data corruption:

Check data regularly

The 'check data' option checks the validity of your data files. It should be run frequently, especially before taking a backup and after restoring your data.

The 'file maintenance problems report' groups information under three tabs: Errors, Warnings and Comments:

- Errors indicate data corruption and should be resolved as quickly as possible. Before attempting to resolve errors it is strongly recommended that you take a backup of your data.
- Warnings and Comments indicate possible anomalies in the data that can normally be corrected manually.

Back up regularly

Data corruption cannot always be fixed and so it is vital that there is always a backup to revert to. Checking your data and backing up on a daily basis ensures that in the worst case scenario only one day's data can be lost.

Couple's artistic vision for historic hostel

Refurbishing a secluded hostel set deep in the Lake District fells is perhaps not what comes immediately to mind when you picture starting a new business.

But Taylor and Carolyn Nuttall are undeterred by the prospect after purchasing the historic Thorney How Youth Hostel in Grasmere.

The North West-based arts entrepreneur and his wife recently purchased the building from the Youth Hostel Association and have big plans for the 350-year-old former farmhouse, which first opened as a hostel in 1934.

The facility, which will benefit from significant investment, will now be run as an independent hostel providing holiday and backpacking accommodation. Work on remedial repairs and refurbishment of core spaces was completed for the hostel's reopening at Easter 2011 and it is now catering for individual bookings, family rooms, small and large groups.

But the hard work doesn't stop there. Taylor and Carolyn have a two-year plan to upgrade the accommodation and improve the offering, broadening the hostel's appeal to a wider range of holidaymakers and backpackers.

Taylor, who is also chief executive of the arts charity Folly, said: "We intend to maintain, develop and extend the existing hostel provision, bringing our own personal experiences to create a unique and welcoming environment providing relaxed holiday accommodation.

"We will be upgrading the existing hostel and, subject to planning permission, also looking to make better use of some of the physical spaces on the site.

"Our offering will continue to be focused on our core element of traditional hostel customers, but we're also looking to make it a place that will be used for activities by guests during the day, rather than just a place for sleeping in at night. Because of my background in the arts, we will be looking to make it a place where arts and music and a cultural offering are very much at the forefront."

'We intend to create a unique and welcoming environment providing relaxed holiday accommodation'



Moore and Smalley's Colin Johnson (left) with Taylor Nuttall of Thorney How

Taylor was advised on fundraising for the purchase by Colin Johnson from Moore and Smalley's Kendal office.

Colin said: "This purchase of Thorney How secures the longer-term future of what was the region's first youth hostel, and a building which is very much part of Grasmere's history and heritage. Taylor and Carolyn's plans for the site are very exciting and will breathe new life into this important facility."

Thorney How, situated under Helm Crag, is made up of two buildings. The first was originally a farmhouse with barn built around 350 years ago and is of traditional Lakeland stone construction. It was extended to make a much larger property with more of a gentleman's residence style,

probably in the Victorian era. This building has a Grade II listing.

Thorney How's Victorian heritage was enhanced by the reputed use of the grounds by English author, poet and diarist Dorothy Wordsworth while writing her journals.

Thorney How was purchased by the YHA in 1934 and remained in the ownership of the YHA as a working hostel for 80 years until 2011.

For more information visit www.thorneyhow.co.uk or read Taylor's Thorney How blog at www.thorneyhow.org.uk

Harnessing the power of Mother Nature



Everyone is talking about the green revolution. The coalition government says it is committed to building a new low carbon economy that will generate jobs, create wealth and fulfil the UK's environmental obligations. Initiatives such as feed-in-tariffs (FiTs), the recently announced Green Deal, and the renewable heat incentive demonstrate the strong regulatory and government support for a shift towards a low carbon economy.

Many businesses we talk to are considering the options for generating their own electricity to save direct fuel costs and perhaps even derive some income from feed-in-tariffs. But when it comes down to taking action, which renewable energy source is your best option? In this article three members of the renewable energy team at Moore and Smalley share their views.

Wind power – a load of hot air?

I am not a technical expert on the physics of wind power generation. Nor am I someone who sees them as irredeemably ugly and a blight on the countryside. But I do know that not every day is windy.

However the UK is apparently best placed to 'harvest' Europe's wind power resource and wind power turbines are effective at doing so (when the conditions are neither too still nor too windy). Whether we like them or not, wind power as an element of the power generation mix is here to stay.

As with many forms of renewable power generation, in the current absence of effective long term power storage solutions, the variability of the amount of energy generated is a concern in any decision on whether to invest in such technology. However, it is perhaps not as important as it might seem.

My view is that there never has been and never will be a 'magic bullet' that by itself will answer our energy needs. Power generation will be a blended activity. With that in mind, the variability of wind power generation should not be a reason for avoiding investing in a scheme – there will always be back up from the Grid (most probably for the foreseeable future in the form of

nuclear power). It needs to be seen as part of a mix of power sources for a business, as indeed it is part of the mix of national power generation.

It is highly likely that any wind power installation you are contemplating will attract Feed-in-Tariff subsidies. Full guidance on using windpower and when it might be a suitable element of your power needs, together with links to the FiT scheme rules can be found on: www.direct.gov.uk/en/environmentalandgreenerliving/energyandwatersaving/renewableandlowcarbonenergy.

In most situations there will be limited funds for investing in green energy generating capacity; and some sources will be more or less appropriate for any given business dependent on its usage patterns and situation.

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Solar pv power – a ray of sunshine?

Given our infrequent sunny days you could be forgiven for thinking that solar photovoltaic (pv) power generation (ie electricity from sunlight) should not be very applicable to the UK market. But this view would be wrong.

Solar pv cells don't need direct sunshine to function effectively, indeed partially cloudy days can lead to greater power generation than pure blue skies.

Interestingly enough, the UK's solar radiation levels are reasonably stable and hence predictable year on year. Oh, and another thing, while Spain is number two for solar pv power generation the number one spot belongs to – Germany. With a similar sunlight pattern to southern UK, this shows that with the right incentives, infrastructure and will, solar pv can be a very useful and significant component of the UK's power generation.

It is relatively easy to determine whether a property is a suitable candidate for solar pv generation. There are established statistics for solar radiation throughout the UK and once the orientation of the roof space is known the potential power generation levels per annum can be estimated.

Solar pv technology has the advantages of being relatively cheap to construct, install and maintain and usually has less of the 'aesthetic challenges' faced by wind power installations due to its rooftop location (out of sight and out of mind).

Solar pv is increasingly popular in the UK and there are many established schemes which have benefited from the FiT scheme subsidies. The predictability of likely future power generation from solar pv is more certain than that associated with wind power – and depending on your business' energy needs this, alone, might make it more attractive to you.

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Hydropower – a damp squib?

Seathwaite in Borrowdale, Cumbria is the wettest place in England, with annual rainfall of approximately 124 inches.

Is it any wonder then, given the abundance of this free, natural resource in the North West, that many people believe hydropower could be the solution to our quest for a renewable way to generate electricity?

Hydropower schemes harness the energy from flowing water to generate electricity using a turbine or similar device. Power can be captured wherever a flow of water falls from a higher level to a lower level. The vertical fall of the water (or head) is essential as flowing water on its own does not contain sufficient energy.

Determining whether a property is suitable for solar pv energy is a relatively simple task but assessing whether a site is suitable for hydro power is more complex.

Firstly you will need to commission a preliminary site assessment by an experienced hydro professional to assess whether your site has potential. If the preliminary assessment indicates the site does have suitable potential for hydro power, the next step is to commission a full feasibility study, which will include:

- **A full Hydrological Survey** – assessing the likely variation in river flow over the year based on long term records of rainfall, local geology and soil types. This would also contain an estimate of the required Compensation Flow (the extent of original river flow which must be retained and not diverted to the hydro power plant to keep the existing features of the river e.g. for fish migration, fauna and flora and other river users).
- **System design** – A detailed description of the prominent aspects of the project, covering civil works, generating equipment and grid connection and whether there is suitable site access for construction equipment.

- **System costing** – A clear indication of capital costs for the specified system design, including professional fees.
- **Estimate of energy output (kWh/year) and annual revenue** – Energy output calculated from river flows, operating river head, turbine efficiencies.

All water courses in England and Wales are controlled by the Environment Agency (EA). To remove water from them (even though it flows back in) will almost certainly require their permission in the form of a licence; an abstraction licence if water is being diverted, and an impoundment licence and if structures are being built to impound water, eg weirs or sluices. The EA will also require an 'environmental statement' assessing the likely effects of the project on the local environment.

Contact your local planning authority (LPA) for advice about, and obtaining, planning permissions. Once the necessary permits and permissions have been granted you can develop the scheme.

There are so many factors to take into consideration when thinking about hydropower, that a decision as to whether this is the best renewable energy option can only be determined on a case by case basis.

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Could workplace pension reform give you a competitive edge?

On the surface you could look at this statement and wonder if I have lost my mind. You may now be aware that the coalition government has decided to continue with the workplace pension reform introduced by the previous Labour government.

We now have a lot of detail on the proposed reforms, which I will not be able to cover in any depth in this article, but one key component is that all employers, even if there is only a single employee, will have to establish a pension arrangement into which all their employees will have to be automatically enrolled.

Each employee will have a limited period of time to opt out initially, but will be reenrolled by the employer every three years at which time the employee can opt out again.

It will be the employer's responsibility to choose the appropriate scheme – either the centralised NEST (National Employment Savings Trust) or a more bespoke scheme tailored to your employees.

Whichever option you choose there is a minimum contribution level, which for employers will increase to three per cent and for employees four per cent of earnings between the lower and upper national insurance levels by 2017.

As well as introducing workplace pensions, the government is also reviewing state pension provision.

It has been proposed that the current two tier state pension will be replaced by a flat rate state pension for any individual with 30 years of residency in the UK. An amount of £140 per week, increasing in line with RPI, has been suggested. Additionally, the state pension benefit will no longer be means tested.

Many clients tell me their employees are not interested in putting money into a pension arrangement, and there can be valid reasons for this, but once they realise that the state pension benefits alone are going to be insufficient to live on after retirement, pension schemes, especially those partfunded by the employer, are arguably going to become more important to them.

You have the option to do the minimum to comply with the new regulations, which will not make you stand out from your competitors, or consider this an opportunity to review your total overall employment package.

It could be a relatively subtle benefit, but taking a more proactive approach to employee benefits could make the difference in attracting and retaining key staff. You could therefore turn a compulsory pension requirement to your advantage.

This could be something as simple as ensuring that your employees are aware of the impact of relying on state benefits only, through to establishing a pension scheme with a contribution level at a higher rate than the minimum.

If you would like to discuss the impact that workplace pension reform will have on your business, or talk about providing employee benefits then please contact me.

‘All employers, even if there is only a single employee, will have to establish a pension arrangement’



Are your employees aware of the impact of relying solely on state benefits?

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A Budget for growth?

George Osborne set himself a difficult task. He wanted to launch a 'Budget for Growth' while at the same time keeping fiscal policy tight in order to reduce the budget deficit. How was he to achieve this? His Plan for Growth recognised that SMEs account for half of private sector output and almost 60 per cent of private sector growth. Helping small business was therefore key to his plan. While he felt unable to reverse the planned one per cent increases in national insurance contributions (NIC), he did include the following measures designed to help business.

Corporation tax: The rate of tax for small companies has been reduced to 20 per cent from April 1, 2011, and 26 per cent for large companies (with profits of £1.5m or more). The large company rate will be reduced by 1 per cent per year until it reaches 23 per cent.

Research & development (R&D) relief: The enhanced tax relief for R&D expenditure has been increased from 175 per cent to 200 per cent from April 2011, and will be further increased to 225 per cent from April 2012. Also from April 2012, it will no longer be necessary to incur a minimum of £10,000 in R&D expenditure in order to qualify for this relief.

Capital gains tax - Entrepreneur's Relief: The 'lifetime limit' for gains qualifying for Entrepreneur's Relief has now been increased from £5m to £10m. Capital gains on the sale of qualifying businesses are taxed at 10 per cent rather than 28 per cent, so the rise in the ceiling makes this relief extremely valuable, potentially saving up to £1.8m in capital gains tax. It is therefore even more important to ensure that the qualifying conditions are met for the twelve month period before any sale.

Enterprise investment scheme (EIS): Individuals investing in companies qualifying under EIS will now benefit from income tax relief at 30 per cent, instead of the current rate of 20 per cent. In addition, from April 2012, the maximum annual amount that individuals can invest in EIS companies will be increased from £500,000 to £1m. From the same date, the maximum size of company that can be invested in will be increased from gross assets of £7m to £15m.

'SMEs account for half of private sector output and almost 60 per cent of private sector growth'



The government has started its project of simplifying tax legislation

Business rates holiday for small business: The reductions in business rates for premises with a rateable value of less than £12,000 will continue for a further year from October 1, 2011.

Capital allowances: Unfortunately the annual investment allowance of £100,000 will be cut to £25,000 from April 1, 2012. The chancellor has extended the 'short life asset' rules, however, to ensure that most plant and equipment with a life of eight years or less can be written off for tax purposes over its actual life.

Enterprise Zones: Ten enterprise zones were announced in Local Enterprise Partnerships (LEPs) including Greater Manchester, Liverpool and Derby & Derbyshire. Businesses relocating to enterprise zones could benefit from 100 per

cent discounts on business rates and enhanced capital allowances. As yet, Lancashire has not established an LEP.

Simplification of tax legislation: The government has started its project of simplifying tax legislation by abolishing 43 tax reliefs that are either obsolete or of limited use. More ambitiously, it plans to integrate the operation of national insurance and income tax. The chancellor has ruled out charging NIC on dividends, pensions etc, but does wish to merge the way these taxes are calculated and collected. This is likely to take several years to achieve, but will be well worth the effort.

Smalleytalk

Firm strengthens top team with promotions



L-R David Ingram, Tracey Johnson, Susanna Cassey, Rachel Marsdin, Richard Hall

The firm has made a number of high-level promotions to strengthen its senior team as it prepares for growth.

Tracey Johnson and Rachel Marsdin have been made partners, while Richard Hall and Susanna Cassey have been made corporate services directors at the firm's Lancaster office.

As partner in the Preston office, Tracey, will continue to specialise in audit of large companies and regulated entities, including charities, pension schemes and other not-for-profit organisations.

Rachel will head up the firm's Lancaster office and, as tax partner, will continue to specialise in tax planning solutions to business owner managers and high net-worth individuals.

Richard will continue to advise growing businesses on a range of compliance and advisory matters, as well as heading up the firm's digital and creative sector team, while Susanna will head up the firm's Lancaster-based audit team as well as the charities team in Lancaster and Kendal.

David Ingram, managing partner, said: "Tracey, Rachel, Richard and Susanna have been instrumental in the growth and success of Moore and Smalley, and the success of our clients, over a number of years. These promotions are part of our commitment to investing in our people at all levels of the business and will further strengthen the firm as we look to take advantage of growth opportunities as the economy recovers."

Quiz raises cash for Lancaster Boys and Girls Club

Members of the North West professional community put their knowledge to the test to raise £615 for Lancaster Boys and Girls Club.

The money was raised through a charity quiz evening, hosted by Moore and Smalley.

Businesses including Barclays, NatWest, Joseph A Jones, Reid Hamilton, Ogleshorpe Sturton & Gillibrand, HSBC, BSG, Fat Media and Lancaster Chamber of Commerce took part in the quiz held at the Storey Creative Industries Centre.

HSBC were crowned winners on the night, while Reid Hamilton claimed the runners-up prize.

Making the news

Moore and Smalley has again been inundated with requests to provide expert media commentary on business matters.

The Budget grabbed most of the headlines and the firm took part in live webcasts with the Westmorland Gazette, Cumbria, and the Lancashire Evening Post.

Meanwhile, Rachel Marsdin appeared on BBC Radio Lancashire's Budget special helping presenter Brett Davison interpret the various announcements for listeners.

With just six months until the introduction of new Agency Workers Regulations, we urged businesses to be prepared for the changes. The story appeared nationally in the Construction Now daily e-newsletter.

Our corporate finance team was in the spotlight after winning the Corporate Finance Advisory Team of the Year award at the Insider Lancashire Dealmakers Awards for the second year running.

Finally, our regular web poll found half of family business owners had turned a blind eye to poor workplace performance by relatives and the story featured in local and regional media.

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