

**IN BUSINESS**

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The Moore and Smalley magazine  
for owner managed businesses

**TOP TIPS FOR SAGE 50 ACCOUNTS PASS  
SUCCEEDS WITH FLYING COLOURS LOANS  
FOR BUDDING ENTREPRENEURS REDUCING  
YOUR TAX BILL THE PAYE REVOLUTION  
CASH FLOW PLANNING**

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MOORE & SMALLEY  
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

# Welcome

Welcome to the Spring edition of In Business, the first issue of 2012. Since the last issue George Osborne has delivered his 2011 Autumn Statement, the Eurozone has been in major crisis and there is talk of the UK going into another recession. With all of this negative news it is easy to get distracted by the macro-economics, but our advice is to focus on the things you can control such as getting your product right, and looking for ways to be more creative and innovative.

Our company profile very much exemplifies this theme and as a result PASS (Personal Assistance Support Services) managed to turn over £1m in its first year.

In our other articles, David Bennett focuses on pre year end tax planning and how to minimise your tax bill, and Mike Hardaker discusses the importance of cash flow planning. We also look at the changes to the PAYE reporting regime through the introduction of Real Time Information, and feature an article on the Rosebud Micro scheme which is a loan fund aimed specifically at small businesses with growth potential.

I hope you enjoy reading this issue.

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cover image: Darwen Tower

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## Top tips for using Sage 50 accounts



### Backup your data

Make sure you take regular backups, and check your data. If the backup seems to be getting a little large, reduce the size - from the backup window select Advanced Options tab, tick 'backup Data Files only'.

### Change the program date

Sage will use the current system date as the default when entering transactions. When recording a batch of transactions that all took place on the same day, avoid making a mistake about the date by using 'Settings - Change Program Date' to set the default date.

### Speed up processing

The following function keys help speed up processing:

**F6** Copy the information from the line above - useful when processing similar transactions.

**F7** Insert a line - useful when you miss a transaction by accident and you don't want to add it to the end.

**F8** Delete a line - great when you have entered information on a line that you now want to delete.

### Looking for transactions

It can be time consuming to sort through numerous records to find a transaction. By using the Search facility it is possible to restrict the records to a specific type. For example, a search can be used in the Financials option to restrict the transactions to display purchase invoice entries only.

### Posting transactions after your year end

Fed up with the message telling you that you're posting transactions after the financial year end? If you want to stop this, try Settings - Company Preferences - Parameters tab - tick 'Pause outside Financial Year' message.

### Change the default view

Would you like to change the initial view when opening your software? From the Tools menu, choose Options, click the View tab and select the options you require.

### How to get rid of the "terms not agreed" message

If you have created a new supplier or customer, and every time you try to post anything, you get a message telling you that 'terms have not been agreed', find the account in the list, double click to open, select the Credit Control tab and tick the 'Terms agreed' box in the bottom left hand corner.

# PASS succeeds with flying colours

A specialist recruitment and employment service that helps disabled people to manage their own social care provision is poised to turn over £1m in its first year.

Preston-based PASS (Personal Assistant Support Services) helps individuals to handle self-directed support through direct payments and personal budgets, in line with the government's Personalisation Agenda.

This aims to transform adult social care by making the handling of transport, housing, education and other services accessible to everyone.

PASS was recently appointed by Blackburn with Darwen Council to supply personal assistant recruitment, payroll services, managed bank account facilities, and other support services.

The company was co-founded in July 2011 by Maria Scullion and a private investor who saw the potential for sustainable growth in the health and social care sector, which generates national spending in excess of £35 billion annually.

"Personalisation is a completely different approach to a historic 'one size fits all' system," explained Maria. "It provides the service-user with much more choice and responsibility for their care, regardless of whether it is paid for privately, or funded through self-directed support or direct payments.

"It is now about putting individuals firmly in the driving seat and building a system of care and support that is designed around their unique needs. PASS provides individuals with the information they need to make informed choices about how and when they receive care and support."

Operating from its base at the Pavilions near Preston Riversway, the company employs four experienced social care advisers, as well as a number of trained personal assistants who are employed directly by individuals who require care, or choose to have managed support provision.

PASS has been working with Moore and Smalley on its business planning opportunities which has helped the company to successfully navigate the tendering



**'It is now about putting individuals firmly in the driving seat and building a system of care and support that is designed around their unique needs.'**

and procurement process of most local authorities.

Maria added: "There aren't many companies providing the same holistic offering as PASS, which is a fantastic position to be in. In less than a year, we have provided support to people across the county and have plans to take the service nationwide in the near future.

"The main challenges are a lack of awareness of the Personalisation Agenda. Many people are not aware that these types of services are available. They need to be reassured that, even if they are turned down for local authority care provision, there are options still out there."

# Loans for budding entrepreneurs

**R**osebud Micro is a loan fund aimed specifically at small businesses with growth potential.

The loans are specifically targeted at new or expanding businesses operating in Lancashire and start from £2,000. The maximum amount available via the scheme is £10,000.

## Who should apply?

Rosebud are particularly keen to hear from businesses in key growth sectors of aerospace, creative and digital, energy and environmental, business and professional and advanced manufacturing.

To increase the chances of successfully securing a loan, applicants will need to demonstrate an ambition to grow in terms of employment opportunities and/or increased turnover.

Rosebud micro loans work well alongside other finance options such as bank, asset, invoice factoring, directors' loans and use of company reserves as part of the expanding business' overall funding requirements.

**'Rosebud micro loans work well alongside other finance options such as bank, asset, invoice factoring, directors' loans and use of company reserves as part of the expanding business' overall funding requirements.'**

## Benefits of Rosebud Micro include:

- No penalty for early repayment
- Repayable over 5 years with a competitive rate of interest
- Low administration fee of 2.5% of the loan
- Up to 100% of the requirement can be funded
- No security is needed but a directors guarantee may be required
- A bad credit history will not necessarily be a barrier to getting the loan

## How do I apply?

Further information and an application form are available online at [www.orvia.co.uk/rosebud-micro-loan-fund](http://www.orvia.co.uk/rosebud-micro-loan-fund) or you can call 01772 42 22 42 and speak to Orvia's finance team to find out more.

So if you know of someone who has got a good idea for a business and needs money to get started, or if you are already running a business but need funding to help to grow and develop then Rosebud Micro may be able to provide the funding boost you need.



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# Minimising your tax bill

**A**s we approach the end of the tax year, here are a few tips to minimise your tax bill.

## Individuals and married couples

Almost everyone is entitled to a tax free personal allowance of £7,475, but this is a 'use it or lose it' allowance; if you do not use it in the year, it is not carried forward and added to next year's allowance. Couples with a non-earning spouse should make sure that where possible, both personal allowances are used. This might involve, for example, putting investments into the name of the non-earning spouse.

I said 'almost everyone' because individuals with income exceeding £100,000 lose their personal allowance at the rate of £1 for every £2 of income above £100,000. Effectively, this means that the rate of tax on income between £100,000 and £114,950 is 60 per cent! Again, it may be possible to transfer income from one spouse to the other to avoid the 60 per cent trap. Alternatively, a pension contribution should attract 60 per cent tax relief where it falls into this band.

## 'Pension contributions must be paid by April 5, 2012 to attract income tax relief in the year.'

Pension contributions must be paid by April 5, 2012 to attract income tax relief in the year. The word 'paid' is important here; it is not enough to merely write the cheque. The payment must clear the bank by April 5, for it to count as paid. The annual limit for pension contributions is £50,000, although it is possible to use unused allowances from the previous three tax years. As ever, terms and conditions apply.

Capital Gains Tax has its own 'use it or lose it' exemption of £10,600 and couples can hold assets jointly to benefit from two allowances. It is advisable to put assets into joint names several weeks before any onward sale, to avoid any suggestion by HMRC that the transfer was ineffective.

The timing of disposals can be important, and it is the date of contract (not completion) that is critical here. A sale on April 5, 2012



may trigger a CGT bill on January 31, 2013, whereas a sale one day later will defer the CGT until January 31, 2014. If the disposal results in a loss, it is essential to claim it on your tax return so that it can be carried forward against future gains. If a claim is not made, it will become time barred after four years.

## Capital allowances for businesses

The 100 per cent Annual Investment Allowance will drop from £100,000 to £25,000 after March 31, 2012. This is the allowance for expenditure on plant and

machinery, including commercial vehicles (but not cars). Currently, the first £100,000 of expenditure ranks for a 100 per cent write off against profits, but from 1 April, the limit is £25,000. For businesses with an April 30, year end, the allowance is apportioned and the maximum for the accounting period is £93,750. However, due to a quirk in the legislation, such a company would be limited to just £2,083 of allowances in the month of April 2012. To make the most of the 100 per cent allowances, therefore, expenditure must be invoiced by March 31, 2012.

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# The PAYE revolution

The PAYE reporting regime is about to see the most fundamental changes since it was established in 1944. Over the next 18 months all employers operating UK payrolls and those providing pension payroll services will be affected.

The Government are introducing Real Time Information (RTI) which will provide HM Revenue & Customs (HMRC) with more accurate and up to date information about employees.

## Why RTI?

The main driver behind these changes is to allow the benefits payments system to run more effectively. It has been recognised that both central and local government require more up to date earnings information. Employers will have to provide HMRC with employees' exact payments and personal details electronically, on each pay day whether that is weekly, fortnightly, 4 weekly or monthly. This information will support the introduction of the Universal Credit planned for October 2013.

RTI will collect information about tax and other deductions automatically each time employers run their payroll. This information will be submitted automatically to HMRC at the same time the employees are paid.

## RTI in outline

HMRC has now invested in the National Insurance and PAYE system (NPS) which replaced the previous system that comprised of 12 unlinked databases plus a National Insurance Recording System.

RTI will involve employers changing their current payroll processes. Instead of year end returns, employers will be required to provide information when they do their regular pay run for employees. Once RTI is bedded in and all employers have switched to the new system there will be no need to submit P14s or a P35. The procedure for employees leaving and starting will also be simplified.

Most employers would be required by regulation to pay their employees via BACS; the RTI data will form part of the BACS submission.

It is expected that smaller employers (fewer than 50 employees) will initially be able to submit RTI from their software, or via



**‘It has been recognised that both central and local government require more up to date earnings information.’**

an agent, using an internet channel through the Government Gateway.

## How do I prepare for RTI?

By April 2013 having correct employee personal details will be essential. Potentially a net payment to an employee could be stopped if an employee cannot be matched with HMRC records.

## Data cleansing needs to be done on current employee information including:

- correct national insurance numbers and dates of birth
- correct first names - it has been hinted that abbreviated or nicknames will not be recognised

HMRC will need to be electronically notified of all new employees, even if the employee hasn't yet received their P45 or P46 from their previous employer.

By April 2013 all employers with 50 or more employees should be paying wages through the BACS system.

As a result of this new process, HMRC will have accurate, real-time information about employees pay and tax. HMRC also believe that the submission of this information through a secure and validated channel linked to the payment being made to the employee would allow much of the existing employer reporting burden to be removed progressively.

## Timetable for change

|                     |   |
|---------------------|---|
| <b>October 2011</b> | Test System available to solution providers                                 |
| <b>April 2012</b>   | Pilot schemes to be rolled out to a selection of employers in certain areas |
| <b>April 2013</b>   | Large employers (250+) to start RTI   |
| <b>April 2013</b>   | Medium employers (50-250) to start RTI                                      |
| <b>August 2013</b>  | Small employers (<49) to start RTI  |
| <b>October 2013</b> | All employers submitting RTI  |



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# Cash Flow Planning

The old adage 'cash is king' is frequently banded about, but in practice and during a recession, can be hard to turn into a reality.

The last three years have been turbulent to say the least and when I was asked to write an article for In Business I reflected on what has been the single most time consuming day to day issue that has affected small businesses. Cash flow management must certainly be close to the top of the list.

Is there anything more that you could be doing to help your cash flow?

## Customers and Debt Chasing

Getting cash in from customers has understandably got tougher for many businesses, as customers are having to deal with their own cash flow issues and hold on to cash for as long as possible.

It is essential that you have a robust debt collecting procedure. Although companies in general have been a lot more proactive with chasing debts, some tips in this area would be to:

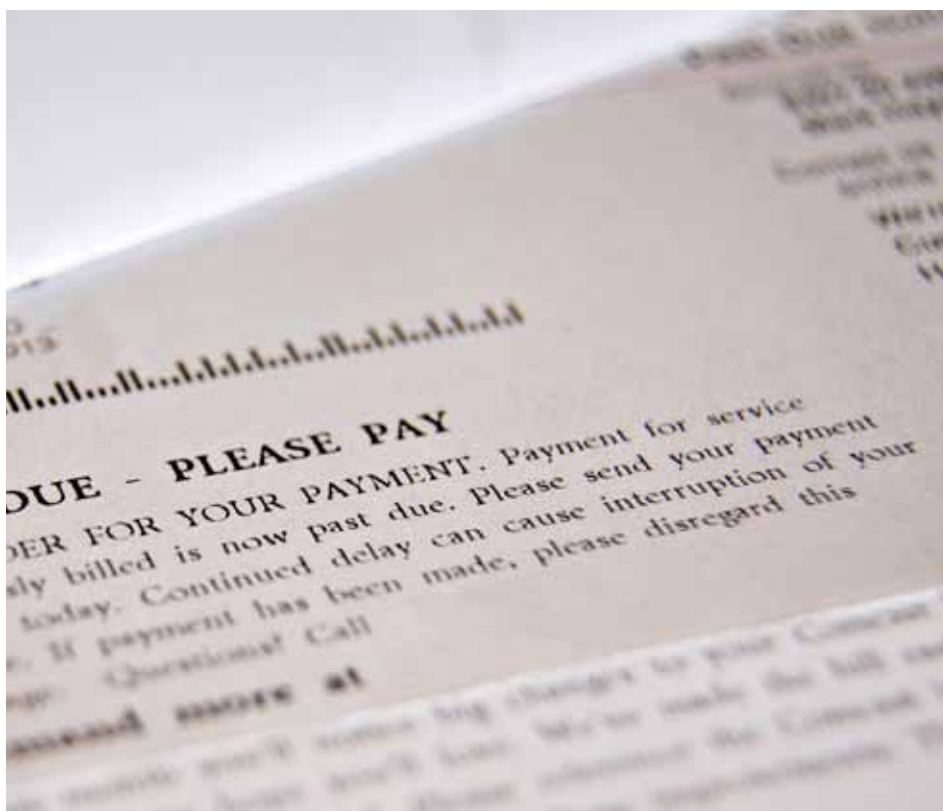
- Contact the customer before the due date of the invoice to check that you are on the next payment run
- Consider taking deposits or pro-forma payments especially for new or bad payment customers
- Credit check new (and existing) customers, especially if they are late paying
- Raise your invoice as early as you can following the completion of work and do not wait until the end of the month as this can delay payment

Debt collecting can be time consuming but it has become an increasingly important part of the business for managing cash flow. Having one person within your business that is dedicated to debt collecting, and who can build up a relationship with the customer, helps in the ongoing debt collection process.

## Suppliers and Credit Terms

Many businesses have been subject to less favourable credit terms from suppliers, who are likewise reviewing their cash flow needs and using credit agencies to review customer credit worthiness. This, coupled with customers hanging on to their cash

**'Debt collecting can be time consuming but it has become an increasingly important part of the business for managing cash flow.'**



longer has increased cash flow pressure on businesses and increased their working capital requirements.

## So, is there anything you can do?

Many businesses credit check their customers but it is surprising how many do not check their own credit rating. For small businesses there can often be a lack of financial information in the public domain which has led to an increase in suppliers asking businesses directly for more detailed financial information, including more up to date management information, in order to review credit limits offered. I would consider credit checking your own business regularly and seeing if there are any reasons why suppliers would want to change credit terms, for example, check there are no old CCJs registered that haven't been cleared or removed. Also, if your business has had a

better year than the last set of accounts filed, then get your year-end accounts completed and into the public domain as soon after the year end as you can.

If your business is a small limited company, the only financial information available to others will be an abbreviated set of accounts, primarily a balance sheet. If you can show a positive reserve movement (retained profit) or an improvement in the net current asset position, this could significantly improve your own credit rating.

Further pressure on cash flow has come from HMRC and the banks. Both of these would warrant full articles on their own, but both highlight the importance of having a business advisor who can help you deal directly with these organisations, as well as minimising your tax liabilities and helping you with other areas that are key to improving your cash flow.

# Smalleytalk

## Dealmaking spree continues for corporate finance team



Moore and Smalley's corporate finance team has completed a flurry of deals on behalf of its clients in recent months.

The firm advised the owners of Cumbria-based bookmakers Chas Kendall on the company's sale to betting giant Gala Coral Group.

It is also acted for Blackpool-based software specialist MAP Ltd on its sale to US giant Autodesk Inc and for Skelmersdale-

based safety-switch manufacturer Mechan Controls for its purchase of PJO Group.

Stephen Gregson, corporate finance director, said: "We worked on over 40 corporate finance projects in 2011 including business sales, acquisitions, mergers, fundraisings and financial modelling.

"Despite the obvious economic challenges, we know of a number of businesses which anticipate carrying out a

transaction in 2012 and so we're expecting another busy year.

"If the current situation is 'the new normal', it may lead some business owners to consider an exit sooner rather than later. For some, it's likely to be true that if it made sense to sell in 2010/11, it will still make sense to sell in 2012 and I expect deal volumes to hold up reasonably well."

## Fundraiser Michael aiming for a ton of runs

Moore and Smalley partner Michael Briggs recently completed the Amsterdam Half Marathon to raise money for Derian House Children's Hospice.

Michael, 51, has clocked up more than 10,000 miles in over a decade of road running and is hoping to raise thousands more pounds for charity by completing 100 races.

He has so far raised over £15,000 for various charities after taking part in 89 races of 10km or further, including seven marathons and 23 half marathons.

Michael, who did not begin running until he turned 40, said: "Like many others before me, I didn't get the motivation to start running until later in life when I found myself to be overweight and unfit. After a year of getting up to a reasonable level of fitness, my first race was the 2001 London Marathon and I've never looked back since.

"I hope to get to 100 races as soon as I possibly can and I'm looking to break through the £20,000 mark for funds raised in the near future. With the support of my friends and colleagues, this will hopefully be with my next few races."

Other charities Michael has supported include The Children's Society, Children with Leukaemia, Spinal Research, Galloways Society for the Blind, Legacy Rainbow House, Mary's Prayer Appeal, and the International Aid Trust.

## Making the News

Moore and Smalley's experts have once again been in demand by the media to comment on the big business and finance issues.

EN, the North West magazine for entrepreneurs, published a four-page feature on the subject of Passing on a Family Business in its December issue and tax partner Tony Medcalf was on hand to offer tips and advice on the tax implications involved in exiting a family firm.

The firm recently advised longstanding client Protec on fundraising for its relocation to new premises. The story was reported across local and regional business media, with Moore and Smalley partner, Damian Walmsley, praising the innovative approach of the firm, which has now rebranded as Smart Image Workwear.

The firm also hit the headlines after advising on the merger of St Johns Buildings barristers chambers with barristers' sets in Liverpool and Sheffield. The deal gained coverage in the local and regional business media.

Finally, leisure sector magazine Hotel Business asked Colin Johnson of the firm's Kendal office, to be one of its contributors for its regular expert's panel feature. Colin responded to a reader question on the benefits of hotel investment, advising on such issues as capital allowances and other tax incentives.

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