



SOWERBY

CHARTERED ACCOUNTANTS

SPRING NEWSLETTER

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"The first quarter of 2022 has resulted in us entering April with no significant Covid-19 restrictions for the first time in two years. This of course does not mean that the impact is not still being felt in many aspects of people's lives, but Sowerby bring you their Spring newsletter with hope that businesses will soon regain a sense of 'normality' and can start looking to the future with confidence that they can effectively plan their route forward."

- Elizabeth Blanchard



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COMMENT

HOPE FOR HOSPITALITY

Over the past two years the hospitality industry has been on a roller-coaster ride. Lockdown followed by re-opening, followed by a further lockdown, plus the Omicron December wave, just as businesses were anticipating a fruitful Christmas period, has led to huge disparities from 'standard' performance. However, as we look forward to the warmer months it is possible there may be more positives to be seen.

WEATHERING THE STORM

The hospitality sector was one of the worst hit by Covid-19 lockdowns, with closures far outlasting other industries. However, whilst it was a tremendously difficult time, government assistance aided businesses to weather the storm of the pandemic, which helped the majority to survive and enabled them to re-open.

Nevertheless, despite being one of the worst hit sectors by the pandemic, there is currently a sense of optimism around the future of the industry.

In September 2021, 'Tourism and Recreation' was the fastest growing UK sector for the first time in more than nine years. This was aided by the restrictions on international travel leading to the rise in staycations.

Our clients have said they've seen occupancy rates, bookings and visitors reach higher levels than pre-pandemic, with reports of very profitable spring and summer trading for 2021 and a hope that this will continue into 2022. Most have cited that the government reduction in VAT, the business rates discounts and the flexi furlough scheme have aided in this increased profitability.

A POSITIVE FUTURE?

According to the recent Barclays report 'Leisure Rediscovered', confidence in the sector is high, with consumers stating that they are more likely to choose a UK break than they were before the pandemic.

This has led to an additional, and originally unforeseen, development with many businesses having seen a willingness of consumers to pay a premium for added-value experiences, which is creating great opportunities for diversification and growth.

And the extra good news is that it looks as though "staycations" are here to stay. Barclays' research also found that 44% of over 55's are planning to holiday in the UK in the future, with an average 26% rise overall in planned UK holidays amongst the adult population.

PROCEED WITH CAUTION

Although there are exciting opportunities on the horizon, business owners must err on the side of caution. As with any boom, there are associated risks which require careful consideration.

The majority of the issues will relate to the increases in cost, for instance:

- The reduction in VAT has been instrumental in helping hospitality and tourism businesses stabilise their cashflow, and although the industry lobbied to have the reduced VAT rate extended, as it stands currently it reverted back to 20% on the 1st April 2022. This will result in a significant shift in cashflow, which, if this has not been planned for, could result in problems for businesses moving forward.
- April 2022 also saw the increase in minimum wage, with over 23's receiving an increase of 6.6% and 21-22 years olds a 9.8% increase. This, along with the rise in national insurance, will play a big part in future costing for the sector, especially as wages are often one of the highest costs to a hospitality business. It also must not be forgotten that this will apply across all parts of the business, from hosting staff to chefs and cleaners to contractors.



- Inflation is expected to continue to rise in 2022 and 2023. According to the food and drink federations Chief Executive, Ian Wright, inflation in the hospitality sector is likely to be between 14%-18%. Businesses will have no choice but to pass this on to customers which is particularly a problem where bookings are already being taken for 2023 and beyond.
- Loan repayments must also not be forgotten. Many businesses will already be repaying BBL's and CBIL's, but with a previous period of repayment holidays and interest free periods, it is easy to underestimate future cashflow requirements.

The government have not turned a blind eye to these challenges and in 2021 did announce 50% discounts on rates for hospitality firms. This should help reduce the impact of some of the points raised above but it will not remove their importance.

RESULTS

The phrase 'cash is king' is of key importance when considering the above. The opportunities for increased turnover appear to be presenting themselves, however, businesses must ensure they are equipped to deal with this growth and ensure that turnover is translating into profit.

Pricing and margin calculations will be extremely important in the coming months. It is likely that price increases will be needed to combat increasing costs and with the appetite in the market these may be widely accepted by consumers if planned correctly.

Despite these words of caution, it is certainly an exciting time to be in the travel and hospitality industry. Strategic planning will be key to ensure that businesses are able to use the new consumer habits brought about by the pandemic to their advantage and seize the opportunities presenting themselves for growth.

<https://www.barclayscorporate.com/insights/industry-expertise/leisure-rediscovered/>

If you would like to discuss any of the points raised, please speak to our Director Phil Silvester.



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BUSINESS

THE 'DEXT' GENERATION

Thinking back to watching programmes such as 'The Jetsons' and 'Inspector Gadget' who would have thought we would ever be able to video call through a TV or have a watch that could do it all?

With this in mind, it's important to remember how far we have come sometimes to allow us to think about how far we can go.

THE FUTURE OF BOOKKEEPING

Bookkeeping holds a crucial place in compliance but the act of keeping accurate records can at times be both monotonous and labour-intensive.

Many of you will appreciate the minimal value found in retyping data from invoices, the frustration caused by piles of paperwork and the lack of motivation to review the information when it is finally in some sort of order.

Over recent years we have seen most of our clients adopting cloud-based bookkeeping solutions to store and access their data, from anywhere, in real time. With HMRC now accepting digital records as business proof, it is becoming more common practice.

For this reason, we wanted to introduce you to DEXT, a software that takes efficient record keeping one step further.

WHAT IS DEXT?

DEXT is one of the easiest and quickest ways to get paperwork to your bookkeeper and into your software.

It is a cloud-based software application with intelligent technology that is able to extract all the key data from your receipts, bills, invoices and bank statements. There is no need to retype paperwork you already have, DEXT does it for you.

There are 4 main benefits of DEXT that we feel could positively impact every business.

■ INCREASED PRODUCTIVITY

Speed up time-exhaustive tasks and access your data anywhere on the go.

■ REDUCTION OF PAPERWORK

Once uploaded, your documents can be shredded, meaning DEXT is not only your electronic data inputter but your electronic filing system too, reducing the risk of paper documents being mislaid, lost, or destroyed.

■ TIME AND RESOURCE SAVING

By removing the need for manual input and utilising the auto publish feature, we have seen clients saving almost 2 minutes of employee's time per invoice. This allows your team to work on more valuable aspects of your business.

■ SEAMLESS INTEGRATION

DEXT integrates with leading accounting and payment software making claiming expenses easy, fast and reliable and ensuring you are able to maintain the highest standards of records.

DEXT AND THE RES GROUP

We recently helped one of our clients embed DEXT within their finance operations.

Although aware of similar products, the client had not used DEXT previously, but after a tailored demonstration by Sowerby, decided they 'couldn't go wrong'.

Their Head of Finance let us know that:

"Within months we now have 10 of our team using the system and they have all taken to it really well. We expected some issues and have been surprised to find that none have arisen, plus Sowerby were able to support us when we had questions. A change of mindset has been needed to form habits with the new way of working but using DEXT is just the way we work now."

Since adopting the software the business is saving a full-time member of staff 3 days a week in time. This is allowing them to focus on other tasks that the organisation have previously never had the resources to take on, which is much more valuable to the business.

DEXT AND YOU

At Sowerby we can offer you a discounted package and different pricing bands are available depending on the size of your business.

From sole traders who are on the move, to multi-site businesses, DEXT is a solution that works for any organisation as an add-on to your existing digital bookkeeping package.

Extensive training is offered, from discovery calls on how we can integrate DEXT seamlessly into your business, to support throughout the implementation process. Within weeks you will be unsure how you operated without it.

DEXT can be brought into an organisation at any time throughout their financial year, so please get in touch to see how much time, space, and money you can save.

If you would be interested in hearing more about the above, specifically in relation to your business, contact your Relationship Partner or Patrick Scargill.



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ADVICE

AND BEST PRACTICE

LEGISLATION CHANGES TAX YEAR 2022/23

NATIONAL LIVING WAGE (NLW) AND NATIONAL MINIMUM WAGE (NMW)

From 1st April 2022 the NLW and NMW is increasing across all age brackets. To ensure that all changes are applied, we advise that employers check their employees pay during each pay run, or have software that flags up necessary changes to ensure employees are always on the correct rate for their age.

	Current Rate	From April 2022	% Increase
National Living Wage NLW 23 years +	£8.91	£9.50	6.6%
21-22 year old	£8.36	£9.18	9.8%
18-20 year old	£6.56	£6.83	4.1%
16-17 year old	£4.62	£4.81	4.1%
16-17 year old	£4.30	£4.81	11.9%

HEALTH AND SOCIAL CARE LEVY

As announced in a new bill and discussed in detail in our Autumn Newsletter, for the 2022-23 tax year, National Insurance contributions will increase by 1.25% for anyone earning over £9,880 per annum. This increase will impact both employees and employers.

At first this will appear as an increase in percentage points on current National Insurance rates. However, from the following tax year, the amount will be split out as a separate levy on documents such as payslips.

The below shows the impact this increase will have on employees earning the following example salaries.

Salary per annum	Current Ers Annual NIC	NIC From April 2022	Annual NIC Increase
£ 20,000	£1,252	£1,341	£ 89
£ 30,000	£2,452	£2,666	£ 214
£ 50,000	£4,852	£4,316	£ 536
£ 80,000	£5,479	£6,359	£ 880
£ 100,000	£5,879	£6,968	£ 1,089

The contribution on earnings above the upper earnings threshold has also increased from 2% to 3.25%.

Employers' National Insurance will increase from 13.8% to 15.05% on earnings above the secondary threshold of £9,100 per annum.

OTHER RATE CHANGES

Statutory Maternity/Paternity/Adoption pay will increase from £151.97 to £156.66.

Statutory Sick Pay is to increase from £96.35 to £99.35 per week.

Employment Allowance for eligible employers will remain at £4,000 per annum.



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ADVICE AND BEST PRACTICE

GROWING BUSINESSES AND STRATEGIC AUDIT PLANNING

For many growing businesses, management focus is centred on raising capital and generating revenue, whilst statutory audit requirements are a distant consideration.

However, a successful, developing business may soon reach the point where a statutory audit is very quickly a real requirement.

Companies that qualify as small companies under the Companies Act 2006 are usually exempt from audit, unless they are members of a non-small group or are charities and are required to follow the charity audit thresholds.

A company is small if both this year and last year it met two out of three of the following criteria:

	FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016:
TURNOVER	<£10.2m
TOTAL ASSETS	<£5.1m
NUMBER OF EMPLOYEES	<50

If your business has breached the statutory requirements shown above, the business has no choice but to have its financial statements audited (there are some specific exemptions and further details, though these are too prescriptive to consider here). However, whilst the year which must be audited is stipulated, there are still many decisions for management to consider.

An audit is in essence a review of historic financial information, and it can therefore be tempting to wait until the business's year end has passed to consider engaging with the audit process. However, it is of key importance to engage with this process as soon as management become aware that it is likely the above thresholds will be breached. One, so the audit requirement does not come as a surprise and two, so you can engage with your auditors on key judgements and accounting treatments before you finalise your year-end balance sheet.

Many people are also not aware that a first-year audit does not just look at a business's closing balance sheet but also the opening balance sheet. Therefore, a first-year audit for a period ending on 31 December 2021 would also require your auditor to audit the balance sheet at 1 January 2021. A key element of which can be stocktake attendance, which is yet another reason to consider engaging an audit professional early in the process.

The audit process can be intimidating for businesses first breaching the required thresholds. However, treated correctly, it can be something that offers great value to the entity. Communicating with your chosen audit provider and creating an open dialogue from the start helps ensure that no unwelcome surprises will arise throughout the audit period.

Despite common opinion, an audit is not just a box-ticking service. The key part of any audit will be the consideration of significant judgement and estimates made by management, and whether accounting policies applied align with the requirements of accounting standards. Audit procedures are risk based and any good auditor will ensure that they have a full understanding of your business to understand the risks presented and offer insightful commentary on proposed improvements to enhance an entity's systems and controls.

An audit also looks to the future and it is likely you have seen in the press that the concept of 'Going Concern' is becoming fundamentally key to audit decisions. At its very simplest, the concept of 'Going Concern' means that a business will continue to trade for a period of at least 12 months from the date its financial statements are filed. As a business requiring an audit you are expected to be able to provide evidence to your auditor of how you have considered and concluded upon this concept. The most common form of this evidence is detailed cashflows which include historic and future considerations and can be sensitised to account for uncertainties as the business moves forward.

As a growing business it may be that you need support from your exterior accounts team to produce something that fits in with the above requirements before it is reviewed by the auditors. It should be noted however, that information should never be produced purely for auditors, a well rounded cashflow is an invaluable element of strategic planning for any business.

Not every developing entity will have the internal capacity to have a fully mature accounting department at the time an audit is first required. This is where it is important that the Sowerby team are not just auditors but also business advisors, specially chosen by our partners due to their aptitude to form judgments, understand businesses and offer forward looking commentary on their findings.

With exceptional audit service must come exceptional technical skills and business proficiencies. Our team provides each of our clients a bespoke and expert level service, built from a deep understanding of each client's personal aspirations and concerns, and decades of accounting experience. We are here to become a part of your team and help you reach your performance targets and objectives by creating a successful future pathway.

Should you wish to know more about approaching your first audit, or if you are familiar with the audit requirements and would simply like to discuss how the Sowerby audit team can assist you, then please contact your Relationship Partner or Elizabeth Blanchard.



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SOWERBY

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Sowerby have had an exciting Spring quarter with Katy Booth joining the business as a Director, strengthening the firm's client offering locally and regionally. In addition, Phil Silvester, who has been part of the team for 14 years, was appointed as a Director at the firm on 1 April.

Sowerby Accountants have seen significant growth over the past decade and believe that this is largely down to their focus on exceptional client service from experienced and committed staff across both offices in Beverley and Goole. In the time since the last newsletter alone, Sowerby have added four new clients to their audit portfolio.

Katy joins the firm with over 23 years' experience having been one of the first professionals to pass the prestigious Corporate Finance Qualification. In her previous roles, Katy has acted as a Lead Advisor on large portfolio businesses, including UK SMEs, small groups of companies, LLPs, and partnerships. In addition, Katy has experience in strategic planning, modelling, and raising finance. Throughout her career, she has dealt with large scale due diligence transactions and helped raise millions in capital.

Katy said: 'I am delighted to join such an ambitious and progressive firm. With my corporate finance experience within the SME market, along with my general practice background, I aim to deliver innovative and practical solutions to a range of clients. Focusing on early-stage businesses through to exit, I hope to enhance the already strong team at Sowerby.'

Phil, who was recently shortlisted for 'Yorkshire Accountant of the Year', predominantly works within the hospitality, construction, and aggregates sectors. He undertakes a mix of business advisory work ranging from helping clients with their pricing to large scale projects and preparing forecasts to support funding applications. He is known for the variety of work he does with clients who feel as though he is an instrumental extension of their internal team.

Phil is looking forward to his new role: "I have always enjoyed getting to know how my clients operate as I feel the details are essential for helping them and their business move in the right direction. I am excited to grow my portfolio of clients and to do so at Sowerby, where the culture has helped me develop my skills beyond just accountancy"

Sowerby are pro-active about recruiting talent whilst also encouraging internal development within their team. When it comes to clients, the firm believe in making accounting mean something to people's lives. The bespoke, expert service is built from a deep understanding of their clients' aspirations and concerns.



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