Transport/Logistics

Specialist Transport & Logistics Accountants

Newsletter
Spring 2016

www.hawsons.co.uk

Introduction

Welcome to our Spring 2016 transport and logistics newsletter.

Despite the additional investment announced in last year's Autumn Statement, there continue to be a number of challenges facing those firms operating in the transport and logistics sector. In this newsletter we look at some of the challenges in both the railfreight and haulage sectors as well as reviewing the Chancellor's most recent Budget and its impact for the transport and logistics sector.

In this issue we look at:

- Budget 2016 transport and logistics review
- An electrification update – where now for CP5?
- Employment tax update for the haulage sector
- Is now a good time to outsource your payroll?
- A tricky future for the railfreight sector in 2016

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.

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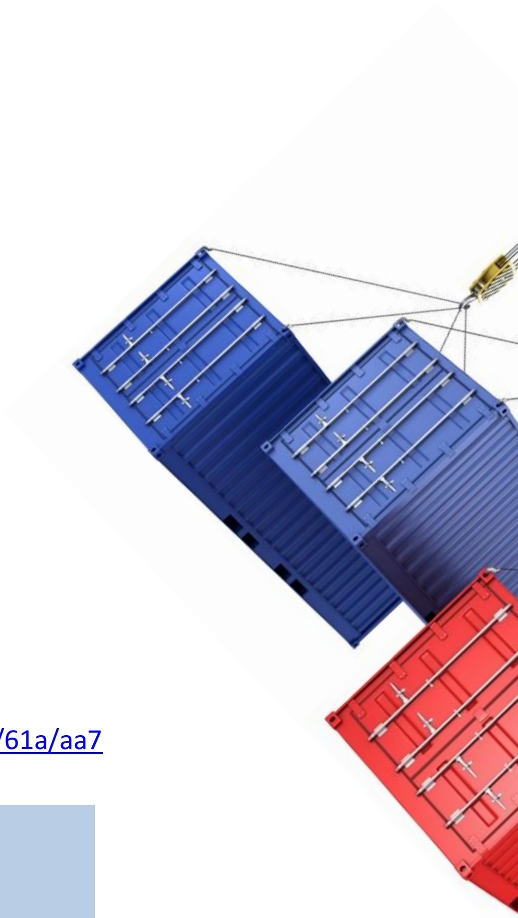

Hawsons are specialist transport & logistics accountants

Hawsons has a dedicated team of specialist transport & logistics accountants in Sheffield, Doncaster and Northampton. We act for a large number of clients in this sector across our three offices, ranging from hauliers to international couriers, and understand the challenges firms in this dynamic sector face. Nearly every other commercial sector is reliant on the services transport & logistics businesses provide and, in many ways, this specialist sector is the linchpin for our country's economy. With our experience in the sector and dealing with transport & logistics firms on a regular basis we are able to develop a close understanding of your business and, through active year round involved, we can help you anticipate and deal with challenges quickly and effectively.

For more information on our transport & logistics expertise, including the services we offer and our experience, please visit: **www.hawsons.co.uk/transport**

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INVESTORS IN PEOPLE

Budget 2016 transport and logistics review

On 16 March, the Chancellor delivered his first Budget of 2016. In this article we summarise the key points arising from the Budget and focus specifically on what the changes may mean for the transport and logistics sector.

2016 Budget transport and logistics impact

Paul Wormald, Partner at Hawsons, commented: "With increased investments in rail and roads, another check on fuel duty, Seven Bridge tolls to be halved and reductions in other key business taxes, this was once again a positive Budget for the transport and logistics sector."

"The Chancellor claimed that it was 'a Budget that backs small businesses' and 'a Budget for the next generation' and, indeed, most of the headline announcements focused around small businesses and savings. But those announcements mentioned above will be very welcome news for the transport and logistics sector, particularly now as we move into an uncertain period leading up to the EU referendum. It was, however, disappointing that there were no further announcements on the apprenticeship levy and the dividend income changes, both of which bring significant changes to transport and logistics businesses and their owners."

Freezing of fuel duty

In the lead up to the 2016 Budget there was strong speculation that the Chancellor would look to increase fuel duty for the first time in four years. However, this was not proven to be the case. The fuel duty freeze will be extended for another year, taking it to 6 years at the current rate at the end of 2016/17.

Paul add: "Using vast amounts of fuel is unavoidable in the transport and logistics sector and any kind of increase in fuel duty would have been a big blow for all businesses, but particularly haulage firms. It is good to see that the Chancellor has not used falling fuel prices as an opportunity to reduce the deficit. The Chancellor said a small business with a van would see an average saving of around £270, but in the transport and logistics sector, where haulage is its brick and mortar, the average saving is likely to be in the thousands."

More investment for transport and the Northern Powerhouse

The Chancellor confirmed the backing of two major rail projects in a package to boost transport links, as was reported the day before the 2016 Budget. The big transport funding boost for the sector included number of projects.

One is the start of investigatory work on building HS3, an east-west railway across the north of England, with the first section running under the Pennines to provide a faster railway between Leeds and Manchester. Ultimately, the travel time could come down to 30 minutes. The scheme is expected to include a combination of new build and upgrades of existing railways, and eventually extend right across the north from Liverpool in the west to Hull in the east.

The Chancellor also announced further investment for road infrastructures, committing more than £230m for road improvements – including the delivery of a four-lane M62.

Seven Bridge tolls to be halved

The Chancellor announced in his 2015 Budget that Seven Bridge tolls for cars and vans were to be cut to £5.40 in 2018; however, he has now gone one step further and, subject to consultation, tolls will halve. The current charge – only paid by vehicles travelling from England into Wales – is £6.60 for cars, £13.20 for vans and £19.80 for lorries and buses.

Further details are likely to be announced in due course.

More information

Please get in touch with your local office specialist for more information and to book your free initial meeting.

You can find more transport and logistics analysis at http://www.hawsons.co.uk/transport-and-logistics-2016-budget-review

You can find more information on the 2016 Budget at www.hawsons.co.uk/guide-2016-budget

An electrification update - where now for CP5?

You may recall that we have published two articles on the electrification and modernisation of the UK's railways over the last six months – first when the plans were put on pause and, again, when the plans were re-commenced just three months ago.

In the latest development, Network Rail has confirmed it is planning to raise as much as £1.8bn through the sale of 'non-core' assets in order to complete its major infrastructure investments in CP5 (Control Period 2014-2019).

In this article we look at the details behind the need for additional funding, what the Network Rail is proposing and the possible implications for businesses, both directly involved in the transport and logistics sector and indirectly impacted by the outcome (such as retailers and hotels).

Network Rail published a detailed 44 page report on the replanning of its investment programmes in November 2015.

The report found that additional funding is much-needed to meet the increased costs of projects -which are set to be hundreds of millions of pounds more than initial estimates – stating that "the core business plan for operating, maintaining and renewing the rail network has also needed to be updated as Network Rail is unable to achieve the savings assumed for the five-year period."

The report added that "it is clear that some of Network Rail's early cost estimates, particularly for electrification schemes, were inadequate" and that it has undertaken an "extensive review of the cost and deliverability" of the investment programmes.

The Network Rail report in summary:

- Initial cost estimates were inadequate;
- An extra £2.5bn is required to complete CP5 projects;
- The Department for Transport has granted a £700m increase in the borrowing limit;
- The additional £1.8bn will be funded through the sale of 'non-core' assets;
- There will be a reduction in renewals activity;
- Additional funding will enable delivery of the vast majority of projects committed to in CP5;
- Trans Pennine line to be completed by 2022;
- Midland Main Line (Kettering/Corby) improvements to be completed by 2019;
- Route to Sheffield to be completed by 2023.

The Network Rail's saleable 'non-core assets' could include retail units at major stations, but the additional £1.8bn will mainly be funded through the sale of depots and land under railway arches. A small number of longer projects have seen costs escalate over budget, which the report put down to a range of factors including poor costing, inadequate planning, over-optimism of timescales and lack of skills and experiences within the workforce.

Positive signs, but a tricky future ahead for the rail freight sector

Investments related to freight activity will continue, mainly focusing on the international market. The Northern ports involved in container traffic and the switch to biomass as a fuel for power stations will also benefit the UK rail freight industry.

Despite the promising infrastructure investments though, the future closure of all of the UK's coal-burning power plants, in conjunction with the decline in British steel output, leaves an increasingly uncertain future for the rail freight sector. Rail freight operators have had a tricky few months with the drop in coal traffic and steel traffic and the potential impacts on revenues.

A realistic delivery timetable?

Paul Wormald, Partner at Hawsons, commented: "It is good that measures have been taken to deal with the CP5 projects that were cast into uncertainty by the pause last summer. Hopefully the delivery timetable will be realistic enough to allow the supply-chain to plan ahead."

"It must not be forgotten that the modernisation of Britain's railway network is not only vital for the growth of the transport and logistics sector, but also vital for the growth of the wider economy."

For more information on the impact for local businesses please visit www.hawsons.co.uk/transport

Employment tax update for the haulage sector

Employment tax fraud in the haulage sector

Fraud involving the tax status of lorry drivers is becoming a serious concern for the transport and logistics sector, according to the Road Haulage Association (RHA). The RHA claims that haulage drivers are being increasingly paid as if they were self-employed rather than through PAYE. That is likely to be correct if the driver owns the truck but if the truck belongs to someone else the correct status is PAYE, regardless of where the payment is coming from.

“With a growing driver shortage in the UK, this means that law-abiding hauliers are losing drivers and losing work to firms and drivers who break the law”, said RHA chief executive Richard Burnett. Richard added: “The practice is also damaging to law-abiding driver agencies, who are losing drivers to less reputable competitors. Incorrect tax status in not a new issue but it has become a much more serious concern this year” … “the growing illegality is of real concern to our members who all want fair competition. This should be of concern to ministers and we look forward to effective enforcement action.”

Overnight subsistence allowance for lorry drivers

The overnight subsistence allowance is a special allowance for lorry drivers who regularly travel and are away overnight. This is a generous relief, but has a number of detailed and complex rulings that you need to be aware of.

With P11D dispensations to be phased out from 6th April 2016, the RHA has announced that it has made a “historical agreement” with HMRC over the rate of overnight subsistence allowances. There had been suggestions that new rules would impose additional administrative burdens for hauliers (in the shape of further documentary evidence), but the RHA has confirmed (on their website) that “there is no change to the system…drivers have to be genuinely away in their cabs overnight – in a genuine subsistence positon – but nothing further is required” to claim subsistence allowance. The payment has continued to rise and is currently set at £34.90 per night.

Employment tax changes on the way

There are some very important changes to PAYE and employment tax rules due to come into effect from April 2016. It is important that as an employer you are aware of these changes and, if necessary, have reviewed your processes accordingly.

Changes to Employment Allowance

The National Insurance Contributions (NIC) Employment Allowance was introduced from 6 April 2014. It is an annual allowance which is available to many employers and can be offset against their employer’s NIC liability. From April 2016, the government will increase the NIC Employment Allowance from £2,000 to £3,000 a year.

The new apprenticeship levy

The government will introduce the apprenticeship levy in April 2017. It will be set at a rate of 0.5% of an employer’s paybill, which is broadly total employee earnings excluding benefits in kind, and will be paid through PAYE. Each employer will receive an allowance of up to £15,000 to offset against their levy payment. This means that the levy will only be paid on any paybill in excess of £3 million.

Other changes

Other important changes to PAYE and employment tax include the phasing out of P11D dispensations; voluntary payrolling of benefits; trivial benefits; and the new National Living Wage.

Find more at: http://www.hawsons.co.uk/employment-tax-changes-2016-that-you-need-to-know

Is now a good time to outsource your payroll?

As the tax year draws to a close we ask: what actions could you take to make your life easier from 5 April, taking some of the stress out of running your business and giving you more free time on evenings and weekend? Outsourcing your payroll will not only likely save you time and money, but it's actually probably easier than you think too.

Once you have decided to switch, let us know and we will take care of the rest. It's as simple as that.

An accurate and efficient payroll service

Many small business owners are finding running their payroll an increasingly complex and time-consuming task, particularly as the compliance obligation on employers has never been greater! Whatever size of business you run, now is a good time to consider outsourcing your payroll.

At Hawsons we provide a friendly and personal service that is accurate and will save your company time and money. We have a dedicated team of experienced staff who will liaise with your company to ensure the payroll is completed by the deadline and is compliant with the ever increasing rules and regulations, particularly with the onset of auto enrolment. You can also rest assured that we will take care of your auto enrolment obligations and ensure your staff are paid accurately and on time.

Our team act for a large number of clients, ranging from small businesses with only 1 or 2 employees up to large business with more than 200 employees. Our aim is to replicate the benefits of an in-house payroll services, so you can be sure that:

- We are not a bureau or call centre
- You will have the rigid benefits of an in-house payroll function i.e. flexible and responsive
- You can tailor our service to meet your specific needs and base our pricing structure accordingly, with no hidden costs!
- You will be provided with an integrated and fully comprehensive service
- You will have a dedicated personal contact that is readily available if issues arise

Please get in touch with your local office specialist for more information and to book your free initial, no-obligation consultation.

For more information please visit www.hawsons.co.uk/payroll

A tricky future for the railfreight sector in 2016

The last few months have been a tricky time for the railfreight sector, and this trend is set to continue throughout 2016.

The release of Q2 statistics by the ORR in late November last year showed that the amount of freight lifted on the railways was down 18.4% on the corresponding period in 2014 at 21.1 million tonnes; the third lowest quarterly figure ever since records began in 1996/97.

The distance hauled also fell by 16.5% to 4.4billion kilometres and train movements sat at just 282,300; not far above the all-time quarterly low of 265,559 in the depths of the recession.

What's going on?

The falls have been attributed mainly to a mild winter and the increased use of biomass at power stations resulting in less coal being transported to restock coal-fired power stations. The statistics reported a 15.5% fall in the amount of coal being hauled on the railways in 2014/15 when compared to the previous year, and this is undoubtedly having a significant impact on the railfreight sector as a whole.

The increase in the UK's level of carbon tax (which rose from £9.54 to £18.08 per tonne of CO2 in April 2015) led to power stations stocking up ahead of Quarter 2. Since that date the number of operational power stations has also fallen.

Other factors cited are:

- A worldwide drop in oil demand reducing the need for oil and petroleum to be transported;
- The impact of the drop in the global metal prices and steel overproduction impacting UK manufacturing (i.e. the steel sector);
- Construction traffic has continued to increase, but a wet summer may have caused effected construction activity and this line of traffic has shown a slowdown. Of the seven commodities measured, five showed a reduction in Q2 2015/16 compared with Q2 2014/15.

Against a background of closing steel plants and proposals to close coal-fired power stations in the coming years, the outlook remains challenging for the railfreight sector in 2016. The demand for moving bulk commodities that have been the bedrock of the sector looks set to fall further and there will certainly be major concerns over where replacement, sustainable revenue streams will come from.

The future of the railfreight sector

We have spoken before about the importance of a strong and successful railfreight sector in the UK economy. Railfreight, as with many transportation links, is often seen as the backbone of business trade, stimulating increased competitiveness and supporting economic growth. Many other commercial sectors depend on railfreight and it is important we get back on the road – or tracks – to recovery.

The need for businesses involved in the railfreight sector to plan ahead has never been greater.

With the funds that have been spent and that are being spent on rail infrastructure to speed up the movement of freight on our rails, there is also a need for Government to outline and deliver an integrated logistics strategy in order to secure the best returns on this investment. In the 2015 Autumn Statement the government announced that capital funding of transportation projects is set to increase by 50%, with critical investments in both the road and rail networks.

Continued investments to improve the sector's links and connectivity is of course very important in marking a turnaround in performance. Let's hope the sector sees an upward trend in freight lifted and distance hauled over the next few months.

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Spring 2016

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Find out more about how Hawsons can help your transport or logistics firm.

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