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Business News Wales

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!

Costs of borrowing up

It's bad news for mortgage holders and borrowers as the Bank of England (BoE) raises interest rates by a quarter point to 4% for the first time since August 2023.

As the war in the Straits of Hormuz continues, the rising costs of energy heavily influenced the members of the Bank's Monetary Policy Committee (MPC). Eight members backed the quarter-point rise, while the ninth pushed for a full half per cent rise.

The BoE governor Andrew Bailey said, "Today's increase shouldn't be seen as the first in an inevitable long sequence of hikes… But unless the conflict in the Middle East is resolved, neither does it seem to be the last increase."

The Bank warned that it expected inflation to hit 5% in the second quarter of 2027 and economists expect another increase early next year.

While the price of oil has fallen since the BoE's inflation calculations and there is optimism of a resolution to the conflict as the US Democratic Party swept to power in both Houses of Congress, the BoE warned that there were considerable inflationary pressures already building in the business pipelines.

Brexit reset table looks appetising

The promise of removing post-Brexit checks from food and agriculture exports has farmers, food producers and pet owners salivating.

Assuming that the thorny issue of EU citizens accessing UK universities at the same fee levels as British students is plucked clean, then a draft agreement is hoped to be presented before the end of the month.

Leaving out details, Prime Minister Andy Burnham said a UK-EU deal could add up to 0.4% extra on GDP or £5.1 billion of annual benefits. But the initial flurry of press speculation after Mr Burnham's statement has died down, with the Financial Times hinting that the stumbling block remains the UK reducing tuition fees for EU students.

It is unlikely to be a hill that Mr Burnham will die on.

The 'reset' deal is expected to be more than one draft document and talks ahead of the summit are looking at reducing trade barriers for foodstuffs, a youth mobility scheme including access to UK universities, the linking of carbon markets and access to the proposed 'Made in Europe' label.

Agriculture and food

The big prize and the draft catching most attention is the removal of post-Brexit checks from food and agriculture exports. For Northern Ireland, this deal would be significant as the Brexit deal kept it inside the EU's single market for goods. Any trade between Britain and Northern Ireland currently means onerous paperwork and physical customs checks.

Leaks from both the EU and government indicate that the following issues would be considered:

- The acceptance of British pet passports for animals being taken into the EU.
- The end of phytosanitary certificates needed for plants or plant products showing they are free from pests and diseases.
- Fresh sausages, burgers, shellfish from domestic waters and seed potatoes would be able to resume exports to the EU.
- Export Health Certificates could be removed from products like yoghurt. These expensive certificates confirm health safety rules that meet EU requirements.
- Other fees for official inspectors, ports, import/export checks and organic certificates could be removed.

To achieve these benefits, the UK will have to follow and adapt to existing EU regulations on plant, animal and food trade standards known as 'dynamic alignment'.

Industry

Another reset benefit that the Prime Minister believes is critical for British business is participating in the EU's 'Made in Europe' scheme. The proposed procurement and subsidy scheme is primarily aimed at lessening the effects of cheap imports from China but could hinder British companies' access to the EU market. The expectation is that the UK would only be given the less significant 'trusted partner' access.

The government has already announced a European Partnerships Bill that will allow the application of new EU rules and regulations and help align the UK's carbon emissions trading scheme with the EU's. If agreed with the EU, it will save UK exporters from paying their new carbon border tax.

Social

The demand that EU students should be allowed to access the UK university system at the same cost as a British student has raised hackles among commentators. Domestic universities would face high costs, but it is unlikely to be so contentious that all of the other reset benefits would be sacrificed.

The youth experience scheme is also back on the table, allowing 18 to 30-year-olds to study, work and travel in each other's countries, with the EU expected to demand 150,000 visas annually.

HMRC face problems processing Overseas Workday Relief

If your company is involved in processing Overseas Workday Relief (OWR) elections and claims for 2025-26 Self Assessment tax returns, you might be facing problems.

HMRC are experiencing an issue processing certain tax elections; despite this, taxpayers should still pay any tax due by 31 January 2027.

The Chartered Institute of Taxation (CIOT) and The Association of Taxation Technicians (ATT) have warned of HMRC's issue processing 2025-26 Self Assessment tax returns where an election is made for Overseas Workday Relief (OWR) and the OWR transitional provisions also apply.

HMRC have confirmed that the problem has been raised for investigation and that they will provide an update in due course. There is currently no official advice on how to submit claims so that they are processed correctly. There is also no timescale for resolving returns already submitted.

The problems

In certain cases, when Boxes 40 through 43 are ticked, HMRC may log the return as received without capturing the information on it. This is resulting in the individual's Self Assessment balance showing as nil.

Box 40 and Box 41 are used to make the election and subsequent claim for OWR.

Box 43 is used to confirm a taxpayer qualifies for the OWR transitional provisions.

Even trying to rectify the record, instances have arisen where, after official contact with HMRC, some OWR claims are still being rejected even after being added.

PAYE applications under s.690

S.690 applications have also been rejected where the OWR transitional provisions apply. HMRC say this appears to arise from a similar issue with how the financial cap is applied.

Applications under s.690 allow PAYE to be operated on a reduced amount of earnings, being those relating to UK duties only.

Next steps

Until HMRC confirm a solution, businesses and individuals should contact their tax adviser or accountant and review any submitted returns that include OWR claims to check that it has been processed correctly by HMRC and that the Self Assessment reflects the information submitted.

Follow up with HMRC where a return does not appear to have been processed correctly.

It was also recommended that tax to be paid should be based on HMRC's submitted return and by 31 January 2027. This avoids late payment interest and penalties.

If you have any queries on Overseas Workday Relief or dealing with HMRC, please get in contact.

Consultation indicates Founders' Relief technicalities

The government has published a technical consultation on its new Founders' Relief. The consultation itself provides an overview of the proposed qualifying conditions for it, including individual and company requirements and what must be satisfied. HMRC's own figures, however, show that the strict conditions mean only about 600 individuals will be eligible to apply each year.

The Autumn Budget 2026 unveiled plans for a new Founders' Relief, offering a reduced 10% Capital Gains Tax (CGT) rate on qualifying business disposals from 6 April 2027. The relief is aimed at entrepreneurs who establish and scale innovative UK businesses, with a lifetime gains limit of £10 million per individual.

Although the legislation is yet to be finalised, the consultation points to the direction of government thinking.

To qualify, it is proposed that founders must have held at least 25% of the company's shares, voting rights and economic interests when trading began, retained their shares for at least five years and been UK resident for the five years preceding disposal. The relief will apply to all qualifying shares held by an eligible founder, including those acquired after the company was established.

It also means that a company may have more than one 'founder' who can claim the relief. The relief is claimed by the individual through their Self Assessment tax return.

Eligible companies must be subject to UK Corporation Tax, maintain a substantial UK presence and continue the trade for which they were founded. They must also have reached a significant scale, generating annual turnover of at least £10 million and employing at least 15 qualifying full-time staff before the disposal.

In addition, companies will need to meet at least two of three growth and innovation tests.

These include achieving annual compound turnover growth of 25% (from a starting point of £10 million), increasing employee numbers at the same rate (from a starting number of 15), or demonstrating substantial innovation through at least £1.5 million of qualifying Research and Development (R&D) expenditure supported by R&D tax relief claims.

The relief is expected to strengthen incentives for founders to build and grow businesses in the UK, particularly in technology and other innovation-led sectors. By linking the tax break to growth, employment and R&D activity, the government hopes to target firms that make a significant contribution to the economy.

Problem flags

However, the detailed conditions may prove difficult to navigate. Founders could face substantial compliance burdens when evidencing historic growth, staffing levels and ownership positions, particularly where records date back up to a decade. Reliance on R&D tax relief claims also creates uncertainty, as a later HMRC challenge to an R&D claim could result in the loss of Founders' Relief and an additional tax charge.

To address these concerns, the government proposes giving individuals a statutory right to obtain supporting information from companies when making claims, once again increasing the administrative burden of record-keeping. The consultation runs to 30 November 2026 and can be found here: https://www.gov.uk/government/consultations/founders-relief-technical-consultation

Should you need help with CGT reliefs, R&D or company accounts, please get in contact.

Bleak outlook from NCSC

The UK's critical national infrastructure should be braced for a ransomware attack involving AI-powered malware by 2028, warns a new report by the National Cyber Security Centre (NCSC).

The NCSC's 'State of the Cyber Nation' report warns that within the next two years, AI adoption by hostile actors is 'highly likely' to increase the scale and efficiency of their operations, including ransomware attacks, social engineering and vulnerability exploitation.

In a speech to launch the report, the CEO of the NCSC, Dr Richard Horne, said, "We have built world-class cyber security capabilities, established the NCSC as a trusted authority at home and abroad … We can be proud of that progress, and we must also be honest. The UK's cyber resilience is not yet where it should be. The cyber threat has increased faster than our defensive capabilities."

China and Russia threats

This sobering assessment clearly identified China and Russia as the main source of serious cyber disruption. Cyber attacks are no longer just a means of stealing secrets or disrupting systems; they are increasingly a tool used to shape economic outcomes, project state power and pursue strategic advantage.

The report identified Russia as currently representing the most 'audacious' cyber threat. Elsewhere, Iran-linked groups continue to demonstrate how cyber operations can be used to create indiscriminate disruption at scale.

China's adversarial cyber activity represents the most sophisticated and sustained cyber challenge facing the UK, said the report. China's rapid development into a tech superpower is distinguished by its scale and its 'whole-of-state' approach, acquiring large amounts of information from the UK and elsewhere. "It trains models, improves capability and generates insight.

China's ability to acquire, process and exploit vast quantities of information therefore has implications far beyond traditional espionage," warned the report.

The NCSC accepts that AI’s role in both defending and attacking cyber security will increase, not only in traditional computer systems but across all internet-accessed systems.

Autonomous end-to-end AI capability is beginning and is attacking across the full threat stack.

Economic security depends on cyber security

Cyber threats are increasingly translating into real economic harm in the UK. Ransomware, data breaches and supply chain compromises disrupt business operations, halt production and impose significant recovery costs.

According to UK government research, malicious cyber activity costs UK organisations an estimated £14.7 billion every year. Put another way, cyber attacks are wiping out value equivalent to the size of the UK's cyber security sector annually.

Key messages for leaders and board members

Currently, for large organisations, 88% of incidents came from four initial access vectors:

- Exploiting external public-facing applications.
- Phishing.
- Misuse of valid accounts.
- Exploiting external remote services.

But these threats are evolving fast and moving to all elements of online systems. National Critical Infrastructure and industrial processes are more frequently under attack, from freezers to rail management systems.

Programmable Logic Controllers are widespread in industrial computing. They have been adapted for their function to control specific processes, such as assembly lines, laser cutting machines or any activity that requires high reliability, ease of programming and process fault diagnosis.

As a result, the NCSC has called for board-level executives of large and small companies to sit up and pay attention. It makes no bones about it: there will need to be investment across the technology stack, including training.

Secure development practices should make vulnerability prevention part of normal engineering. Hardware-backed security, strong identity and trustworthy update mechanisms can provide dependable control points.

Dr Horne made it clear, “Ten years on from the NCSC’s formation, we face a moment of choice. If we act now, cyber security can become a source of national strength, driving economic growth and building trust in our increasingly digital world. If we delay, cyber attacks will become more frequent, more severe and more costly.”

To read the full report, which includes links to training, tools and alert systems, go here: https://www.ncsc.gov.uk/collection/annual-review-2026

Government offers 75% discount on cyber security course

Following hot on the heels of the National Cyber Security Centre’s ‘State of the Cyber Nation’ report, the government has announced a new 75% discount for its Cyber Essentials certification programme.

Aimed at small and medium-sized businesses as part of a national response to enhance resilience against cyber threats, it is also offering recommended Small to Medium-sized Enterprises (SMEs) free accreditation if they are involved in specific supply chains.

The Cyber Essentials certification will be discounted by 75% for micro businesses and SMEs. This means they could pay as little as £80 and no more than £125 (plus VAT).

Cyber Essentials is the minimum standard of cyber security recommended by government for organisations of all sizes. Developed by the experts at the NCSC, the certification scheme is aligned to five technical controls designed to prevent the most common internet-based cyber security threats.

On top of increasing cyber resilience, organisations with the Cyber Essentials certification and a turnover of less than £20 million also receive up to £25,000 of cyber liability insurance.

The Cyber Essentials First Step Fund will provide eligible micro, small and medium-sized UK businesses a 75% discount on the cost of certification. This discount will be on a first-come, first-served basis for those businesses that have not been certified in the last four years. It will be available until March 2027, or until the allocated funding runs out.

Another element is the Cyber Essentials for suppliers grant, worth up to £7 million until March 2029. This grant will be available to eligible UK-based SME suppliers of Cyber Resilience Pledge signatories - these are over 230 businesses across industry sectors, that have signed up to the ‘pledge’ to help them safeguard their supply chains and ensure they have the essential protections in place.

Those companies can apply for fully-funded, first-time certification and tailored Cyber Advisor support through Cyber Essentials. SME businesses nominated for this offer will be contacted by their Cyber Resilience Pledge signatory organisation and guided to apply through the Cyber Essentials process.

The government estimates approximately 8000 businesses could benefit from this funding.

Cyber Essentials certification includes:

- Firewalls, creating a security filter between the internet and the network.
- Secure configuration, setting up computers securely to minimise ways that a cyber-criminal can find a way in.
- Security update management: to prevent cyber criminals from using vulnerabilities they find in software as an access point to your systems.
- User access control: control who can access your data and services and what level of access they have.
- Malware protection includes identifying and immobilising viruses or other malicious software before it has a chance to cause harm.

How to apply: https://firststep.iasme.co.uk/

Where's your menopause plan?

Menopause has become a compliance issue for businesses. The voluntary phase for menopause action plans is running now, but they are expected to become mandatory in Spring 2027.

Research has found that one in ten women who work during the menopause leave their jobs or that the symptoms have a significant effect on their career progression.

By improving company welfare support, it is hoped that job retention rates might also improve. So far, the changes have not been successful, with 45% of women reporting that they were unaware of workplace adjustments provided by their employer.

The UK's Employment Rights Act 2025 and subsequent guidance require employers with 250+ employees to publish Menopause Action Plans alongside their gender pay gap reporting.

Large employers must outline the practical steps and evidence-based actions they are taking to support employees experiencing the menopause.

The Office for Equality and Opportunity recommends several actions, including giving more time off.

- Train managers to support employees.
- Offer occupational health advice.
- Set up menopause support groups and networks.
- Offer workplace adjustments.
- Conduct a menopause risk assessment for the workplace.

- Review policies and procedures.

Companies are encouraged to get expert guidance or help with understanding and meeting the regulations, training line managers and reviewing policies.

By offering enough support or flexibility to prioritise employees' individual needs, companies could see better retention rates and productivity. Successful policies could be rolled out to help employees with menstrual health conditions. Endometriosis research suggests that working from home and flexible hours may help employees manage symptoms and stay in work.

A surge in Welsh business confidence

The latest business confidence figures show the biggest increase in Wales and the East of England.

Lloyds Bank's monthly Business Barometer showed that Wales shot up the UK's league table, moving by 38 points to 54%, the biggest shift in the nation's confidence this year.

Overall, the headline index for the UK rose six points to 47%, with Welsh businesses showing more economic optimism than most regions. Lloyds pointed out that sentiment stands higher than at the beginning of the year despite increased economic uncertainty stemming from the Middle East conflict.

The Business Barometer found 59% of firms reporting greater optimism about the wider economy. More than half of firms (54%) expected to increase staffing, up from 49% in September.

Manufacturing confidence rose 12 points to 48%, while services recorded a 17-point increase to 52%, moving from the weakest sector in September to the strongest this month. Both construction and retail confidence were more pessimistic. Retail confidence fell 12 points to 39%.

https://www.lloydsbank.com/assets/assets-business-banking/pdfs/business-barometer.pdf