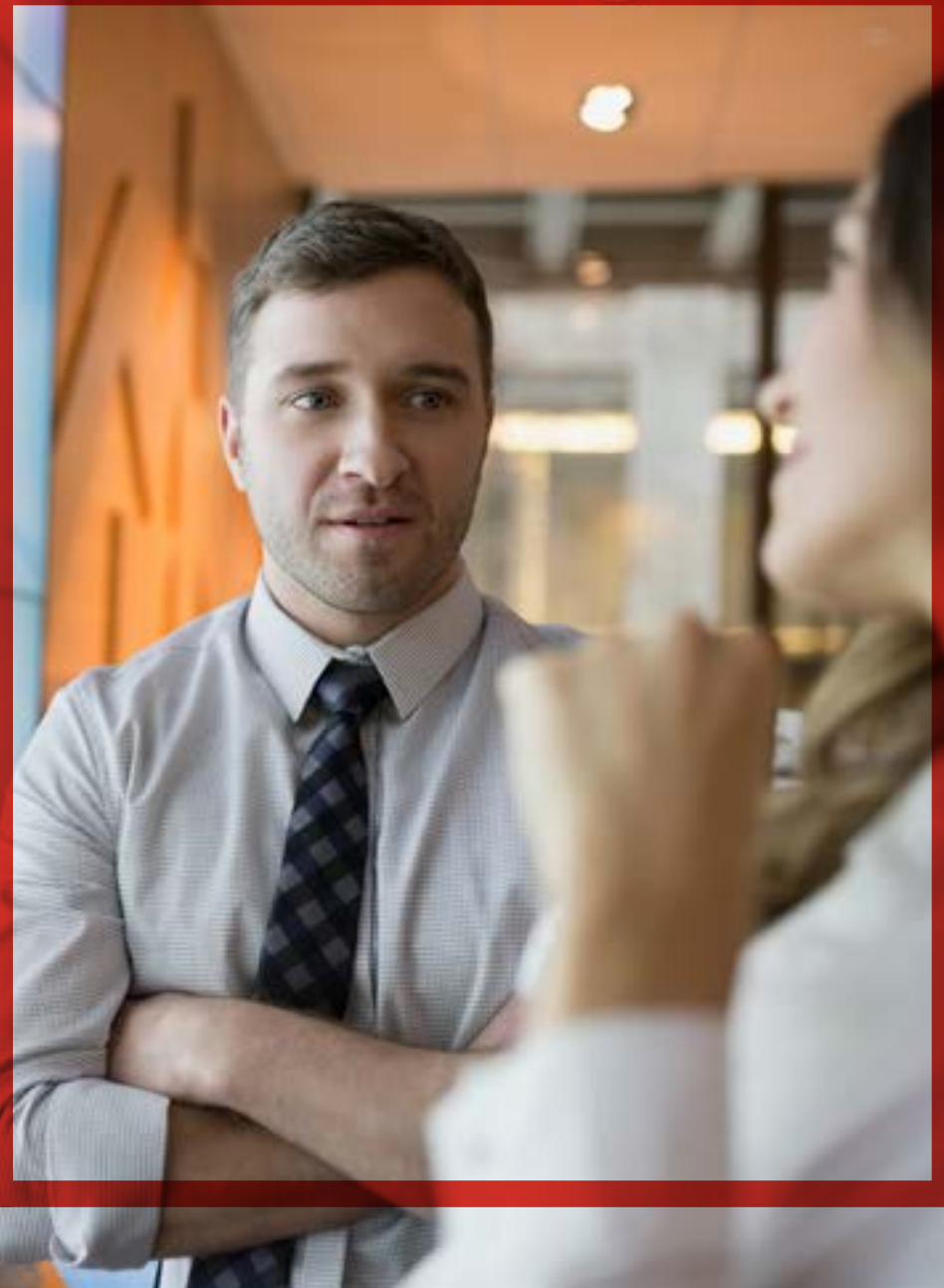


THE LATEST EMPLOYMENT CHANGES

A GUIDE TO THE NEW EMPLOYER OBLIGATIONS

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WHAT ARE THE KEY CHANGES?

Employment regulations are constantly evolving and as such it's imperative employers are informed and prepared.

Our guide provides an overview of what you need to know as an employer and what your business needs to do to comply with the latest employment law changes. Here are the key aspects you need to be aware of:

- National Minimum Wage and National Living Wage pay rates increased.
- Statutory rates of pay increased for maternity, paternity, shared parental leave and adoption as well as sickness and redundancy.
- New Gender Pay Gap Information Regulations 2017 requires companies with 250 or more employees to publish how they remunerate employees by gender.
- An Apprenticeship Levy is a new levy on UK employers to fund apprenticeships.
- Automatic enrolment makes it compulsory for employers to automatically enrol their eligible workers into a pension scheme.



* Ellipse Insurance Company, ** ONS, *** Department for Education, **** Department for Work & Pensions



1 PAY INCREASES

WHAT DO YOU NEED TO KNOW AS AN EMPLOYER?

When it comes to budgeting for your employee costs, it's important to bear in mind that from April 2017 increased rates of pay to the National Living Wage, maternity, paternity, shared parental leave and adoption, sick pay and redundancy pay came into effect:

- Workers aged over 25 years (NLW): £7.50 per hour.
- Workers aged 21 to 24 years: £7.05 per hour.
- Workers aged 18 to 20 years: £5.60 per hour.
- Workers aged 16 to 17 years: £4.05 per hour.
- Apprentices (under 19 years, or in the first year): £3.50 per hour.
- Maternity, paternity, shared parental leave and adoption: £140.98 per week.
- Statutory sick pay: £89.35 per week.
- Statutory redundancy pay: £489 per week.

WHAT DO YOU NEED TO DO AS AN EMPLOYER?

The benefits by increasing employee pay are a more engaged workforce with increased productivity, better employee retention and lower sickness absence. It's important though, to plan ahead and understand any cashflow implications.

- Make sure you are paying all eligible staff correctly and adjust your employees pay with immediate effect.
- Look closely at your costs and budgets and see if you can absorb the increase elsewhere or through improved efficiency.
- Review your recruitment plans and adjust your cashflow projections accordingly.
- Consider how these changes will affect pension and National Insurance contributions.
- Record absence to recognise recurring sickness and address it early to safeguard business productivity.
- If you plan to make redundancies, alternative options to reduce costs include offering early retirement to employees who volunteer or reducing temporary contract workers.
- Communicate the changes effectively, which reflects well on you as an employer.
- Plan ahead to account for the National Living Wage to be at least £9.00 per hour by 2020 – you should budget for at least a 45p per hour increase each year for the next four years.

2 GENDER PAY GAP REPORTING

WHAT DO YOU NEED TO KNOW AS AN EMPLOYER?

Pay transparency is increasingly being demanded by regulators and closing the gender pay gap isn't just about achieving gender equality. It's also about boosting the economy, improving business growth, attracting and retaining the best people and is an opportunity to enhance public perceptions of businesses.

WHAT DO YOU NEED TO DO AS AN EMPLOYER?

What you are being asked to do is to collate your pay data in new ways to detect trends in your company's gender pay gap and to achieve comparability with national statistics. Payroll software will enable such calculations to be made relatively easily:

- Look at the calculation methods in the regulations to familiarise yourself and identify issues.
- Assess your workforce to check if you had 250 employees on 5th April 2017. If you did you will need to do the following:
 - Identify whether you have accessible bonus and pay data for your employees.
 - Take a 'snapshot' of employees' pay on 5th April 2017, and analyse the information and publish your first report by 4th April 2018 and every year thereafter.
 - A director will need to sign the report, vouching that it is accurate.

- Publish your gender pay gap on your website where it must remain for three years as well as on a government-sponsored website.

Six datasets are required to show, at a given point in time, the percentage difference between male and female employees:

- In mean hourly pay on the snapshot date.
- In median hourly pay on the snapshot date.
- In mean bonus in the previous 12 months.
- In median bonus in the previous 12 months.
- Percentage of men and women who received a bonus in the previous year.
- Percentage of men and women in each hourly pay rate quartile.

A narrative to provide context is not required, but you are strongly encouraged to produce one, particularly if there is a negative gap and to redress any imbalances.



3 THE APPRENTICESHIP LEVY

WHAT DO YOU NEED TO KNOW AS AN EMPLOYER?

Introducing the levy presents a number of opportunities for SMEs to take advantage of the funding available, access a wider pool of talent and grow the skills your company needs. The aim of the levy is to inspire businesses to either expand existing, or introduce new, apprenticeship programmes.

WHAT DO YOU NEED TO DO AS AN EMPLOYER?

The new apprenticeship levy came into effect on 6 May 2017 and applies to all UK employers with an annual wage bill of £3 million or more (0.5% of their annual pay bill) – whether or not they offer apprenticeships themselves. Employers will receive a £15,000 fixed annual allowance (not a cash payment) to offset against the levy payment:

- Use a levy calculator to check if you are affected and, if so, how much you will need to pay. You can find a good example at www.apprenticeshipsmanagers.org.uk/levy-calculator
- Let HMRC know whether you need to pay the apprenticeship levy.
- Include the levy amount in your usual PAYE payment to HMRC. This should be done by the 19th day (or the 22nd day if reporting electronically) of the following month.
- You will receive an 'electronic voucher' used to pay for training from approved providers via the Digital Apprenticeship Service (DAS) online portal – vouchers expire after 24 months.
- If you are eligible to pay the levy and show commitment to apprenticeships, you will receive a 10% top up to monthly funds – meaning for every £1 that you receive, you get £1.10.

4 AUTO ENROLMENT

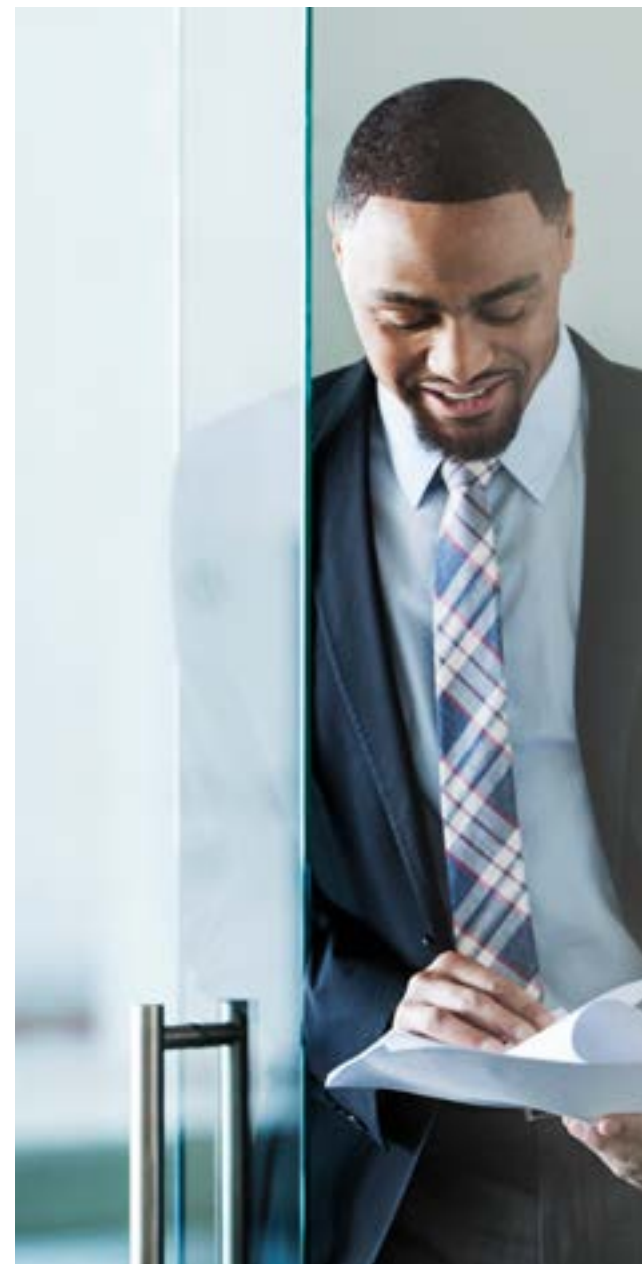
WHAT DO YOU NEED TO KNOW AS AN EMPLOYER?

Automatic enrolment has been rolled out, in stages, since October 2012. It has been designed so that eligible workers who want to build up retirement savings don't have to take any action themselves – employers automatically enrol eligible workers into a workplace pension scheme and deduct contributions that the member is required to pay from their salary, and then pay into the pension scheme on their behalf.

WHAT DO YOU NEED TO DO AS AN EMPLOYER?

By October 2018, all existing employers will be required to offer workplace pension schemes to eligible workers, unless the worker opts out:

- Review your workforce to identify who is eligible to join a workplace pension scheme – this applies to those who work in the UK, are not already in a suitable workplace pension scheme, are at least 22 years old, but under State Pension age and earn more than £10,000 a year.
- You may need to think about one-off costs to set up automatic enrolment, as well as the ongoing cost of paying money into the scheme and managing the process.
- The amount you and your employees pay may vary depending on which scheme provider you choose. However, by law, you and your employees have to make minimum contributions into the scheme. This is currently set at 2% of your member of staff's earnings and you, the employer, must pay at least 1% of this. Over time this increases to a total of 8% of which at least 3% must be paid by the employer.
- Choosing the right qualifying scheme for your workers is important. A good place to start exploring which schemes are right for you is to look at recommendations by [The Pensions Regulator](http://ThePensionsRegulator).



SUMMARY

Our guide aims to provide a practical source of help to ensure that you are compliant as an employer. Employment law is constantly on the move and these changes are going to be a high priority for companies in 2017. Those who start preparing now will be better placed to minimise any disruption to their business, particularly as failure to comply with these regulations could lead to legal penalties and fines. To find out more on what employers can expect from employees, what employers can ask employees to do and employees' rights at work, there is a wealth of information available on the Chartered Institute of Personnel and Development website – www.cipd.co.uk/knowledge/fundamentals/emp-law

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- Specialist finance for the construction and recruitment sectors
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