



NEWS ROUND-UP

O C T O B E R 2 0 2 5



STARMER CREATES NEW BUDGET BOARD FOR GROWTH

Prime Minister Sir Keir Starmer has moved to strengthen Labour's grip on economic policy by creating a new "Budget board" that links senior ministers, advisers, and business voices.

Meeting weekly, the board will coordinate policies ahead of the Budget on 26 November to boost growth while maintaining the confidence of businesses and the City.

The initiative follows Chancellor Rachel Reeves's first Budget last October, which raised employer national insurance by £25 billion and increased the minimum wage, souring relations with business. Reeves is now under pressure as she faces a fiscal gap of at least £20bn and the likelihood of higher taxes.

Starmer's economic adviser and former Bank of England deputy governor, Baroness Minouche Shafik, will co-chair

the new board with Treasury minister Torsten Bell. Other members include Darren Jones, who has taken the role of chief secretary to the prime minister; Starmer's adviser Varun Chandra; and communications chiefs Tim Allan and Ben Nunn. Chiefs of staff, Morgan McSweeney and Katie Martin, are also involved to improve political and media handling.

Officials said the board was designed to ensure closer cooperation between Number 10 and the Treasury while opening stronger lines of communication with business leaders. Starmer has also instructed ministers to prioritise growth by accelerating planning and infrastructure projects and reducing the number of regulators and civil servants.

Downing Street said the Government focuses on investment and reform to deliver higher output and an economy that works for working people.



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RETAIL SALES RISE BUT OUTLOOK UNCERTAIN

Retail sales grew in August, helped by record warm weather and a Bank of England interest rate cut.

Retailers have, however, warned that speculation over potential tax rises could hit spending during the vital pre-Christmas trading season.

According to the latest British Retail Consortium (BRC) and KPMG survey, sales rose 3.1% yearly. Food and drink sales led the way, up 4.7%, although the BRC said price rises rather than higher volumes drove this. Inflation continued to push the cost of staples such as beef, chocolate and coffee.

Computing and gaming products also performed strongly, boosted by the back-to-school period. However, parents facing rising costs cut back on school uniforms and other essentials.

Non-food sales increased by 1.8%, the third monthly rise. Furniture sales grew for a second month, while household goods, DIY products and garden tools also improved. Demand was lifted further by the launch of new Samsung foldable phones and Google's Pixel 10 in the late summer.

August followed growth of 2.5% in July, supported by warm weather and England's Euros success, and 3.1% in June.

Despite the positive figures, shopper confidence fell for the third consecutive month, with many consumers expecting further food price rises and financial pressures. The BRC warned that businesses remain cautious about the "golden quarter", the three months before Christmas that account for a significant share of annual revenues.

The Chancellor, Rachel Reeves, will deliver the budget on 26 November.



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UK FIRMS CUT JOBS AMID HIGHER TAXES

A Bank of England survey has shown that UK businesses cut jobs this summer at the fastest rate in four years, highlighting the strain of higher taxes on employers.

The monthly Decision Maker Panel survey of more than 2,000 chief financial officers found that employment fell by 0.5% in the three months to August, the steepest drop since 2021. Intentions for future hiring also weakened, with expectations for job growth slipping from 0.5% to just 0.2%.

Business leaders blamed the Government's decision to raise employer national insurance contributions (NICs) by £25bn in April. Almost half of the respondents said the increase had forced them to cut staff numbers, while many others reported passing costs on through higher prices.

Two-thirds of firms said profit margins had been squeezed, 34% raised prices, and 20% said they paid lower wages than planned. Despite this, the Bank noted the impact was less severe than firms had feared before the NICs changes took effect.

Economists had warned the fall in employment could sway the Bank's 18 September meeting. In the event, the MPC left the Bank Rate at 4% (a 7–2 vote, with two members favouring a 0.25 percentage point cut to 3.75%), in line with market expectations.

Chancellor Rachel Reeves, who has set 26 November for her second budget, has acknowledged that the economy is “not working well enough for working people”. The later budget date is expected to fuel speculation over further tax rises, but the Treasury says it will also be used to outline pro-growth reforms.



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HMRC INTENSIFIES SCRUTINY OF R&D TAX CLAIMS

HMRC has significantly increased oversight of research and development (R&D) tax relief, with errors in claims totalling £441 million in 2023/24. In 2024, one in five claims faced an enquiry, compared with just one in 20 two years earlier.

The compliance crackdown includes creating a specialist anti-abuse unit, which added 300 staff to HMRC's small business compliance team. Around 500 officers now focus on detecting errors and fraud in R&D claims.

Two new measures are also raising the bar. The additional information form (AIF) requires claimants to submit detailed project and cost breakdowns upfront. At the same time, the mandatory random enquiry programme (MREP) increases the likelihood of investigations, even for fully compliant claims.

There are three key steps to reduce risk.

- Strong documentation is the best defence in an enquiry. Businesses should ensure they track project milestones, staff time and costs using reliable systems, and back up claims with payroll data, invoices and receipts.
- Compliance should not be a last-minute task. With regular reviews and early preparation, accountants can guide clients to embed good practice throughout the year.
- Rejected claims damage cashflow and confidence. Businesses that combine robust documentation with technical expertise and innovative tools put their clients in the best position.

With increasing enquiries, preparation and accuracy are essential for every R&D claim.



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your R&D claim.**



WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.



To schedule a meeting or to get more information, please don't hesitate to contact us.



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