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BUSINESS REVIEW

**Spotlight on issues
affecting business**

- ▶ **SURVEY REPORTS GLIMMERS OF OPTIMISM**
- ▶ **EU TRADE CHALLENGES NOT LETTING UP**
- ▶ **LATE PAYMENT PROBLEMS PERSIST**
- ▶ **MOST BUSINESSES OFFER FLEXIBLE WORKING**
- ▶ **PRESSURE TO WORK ON HOLIDAY**
- ▶ **OTHER NEWS**

AUGUST 2023

BUSINESS REVIEW

SURVEY REPORTS GLIMMERS OF OPTIMISM

Although a recent Federation of Small Businesses (FSB) survey did reveal a second quarter decline in business sentiment, it also highlighted an upswing in optimism regarding the medium-term outlook.

The FSB's latest Small Business Index showed confidence slipped during the second quarter after a strong recovery earlier in the year. The headline figure fell to -14.2 points, down from -2.8 points in the first quarter, as stubbornly high inflation and Bank Rate hikes in May and June created a tough economic backdrop for the small business community.

Firms were, however, more optimistic about medium-term prospects, with just over half of all respondents anticipating growth in the next 12 months. This was five percentage points above the figure recorded during the first quarter of the year.

Commenting on the findings, FSB National Chair Martin McTague said, *"Although the upturn in small firms' confidence from the first quarter didn't carry over into the second quarter of the year, the message from our research is that small firms' confidence in the future is looking rosier. It's disappointing but perhaps not surprising that the momentum from the first three months of the year petered out somewhat – but small firms are survivors and there are positive signs in our findings."*

EU TRADE CHALLENGES NOT LETTING UP

An Institute of Directors (IoD) survey shows UK firms are finding the trading relationship with the EU just as challenging now as they did a year ago.

Data from the latest poll conducted in June, revealed that 46% of IoD members are still finding the UK's trading relationship with the EU challenging. This was an almost identical proportion that had answered the same question with a similar response in July 2022.

Difficulties with issues surrounding immigration, business mobility and travel were the main reasons why firms are finding EU trade difficult, with 72% of respondents saying such changes are negatively impacting their business. When asked for their own comments on the situation, the most common responses were lack of a level playing field, regulatory divergence, exclusion from EU research funds and political instability.

IoD Trade Policy Adviser Emma Rowland said, *"There are clearly many aspects of the Trade and Cooperation Agreement (TCA), signed between the UK and the EU in January 2021, that are proving detrimental to business. The review of the TCA, which is due to take place in 2026, should provide an opportunity to address some of these pain points, depending on how much the EU is willing to negotiate."*

LATE PAYMENT PROBLEMS PERSIST

Findings from two new studies have once again highlighted the impact late payments continue to have on the small business sector.

The financial scale of the problem was revealed in research conducted by insurer Simply Business, with their analysis suggesting UK small businesses are collectively owed a staggering £32bn in late payments. Worryingly, the study also found that over a quarter of business owners were considering using their own personal savings to prop up their business.

Another study, this time undertaken by cloud accounting software firm FreeAgent, found that around half of all invoices issued by sole traders and small firms in the past year were not paid on time. FreeAgent CEO Roan Lavery said this represents *"a huge number"* of small business owners whose livelihoods are unnecessarily *"being put in jeopardy."*

A separate FreeAgent survey also sought to identify potential legislative solutions small business owners would like to see implemented to tackle the UK's late payment culture. The three most cited options were: better access to legal aid and services, harsher financial penalties for late payers, and the Prompt Payment Code to become compulsory for all private sector contracts.

QUIRKY QUOTE:

"I love deadlines. I like the whooshing sound they make as they fly by"

— Douglas Adams

MOST BUSINESSES OFFER FLEXIBLE WORKING

New research from the British Chambers of Commerce (BCC) shows that most UK businesses now offer flexible working options to their employees.

Overall, the BCC survey found that 76% of firms offer their staff some form of flexible working, including remote working, flexed hours and job sharing. There are, however, significant disparities in the extent to which flexible working is offered across sectors, with business-to-business service firms more likely to offer it than those in manufacturing and consumer-facing industries.

Last month, legislation that will provide employees with better access to flexible working passed through parliament and received Royal Assent. The Employment Relations (Flexible Working) Bill has been designed to give workers more flexibility relating to where and when they work.

Jane Gratton, Head of People Policy at the BCC, said, *"With three quarters of businesses saying they offer flexible working, it's clear that it has become part and parcel of everyday workplace practices. Employers understand that flexible working makes good business sense; helping them to attract and retain a skilled workforce. Flexible working also means firms can attract candidates from a broader range of backgrounds and circumstances and achieve the benefits of a diverse, inclusive and equitable workplace."*

PRESSURE TO WORK ON HOLIDAY

Evidence from two recent surveys suggests that most small business owners and employees struggle to switch off from work while on holiday.

According to a poll of 200 UK entrepreneurs conducted by training group Skillshub, almost one in five small business owners did not even take a holiday within the first two years of starting their business. In addition, just over eight out of ten of those that did take a vacation said they had to work during the holiday.

Another survey covering 2,000 UK-based workers by B2B services comparison website iCompario found that two-thirds of employees feel under pressure to look at work emails while on holiday. Perhaps unsurprisingly, those that did not check emails at all were more likely to switch off quickly, while a sizeable minority of employees who looked several times a day never felt totally relaxed during their vacation.

iCompario's research also sought to gauge opinion on the introduction of a 'right to switch off' law similar to the one brought in by the French Government in 2017. It found strong support for the idea, with two-thirds of respondents saying they would back the introduction of such a law in the UK.

OTHER NEWS

FIRST UK INVESTMENT ZONE NAMED

Chancellor Jeremy Hunt has announced that South Yorkshire will be the UK's first Investment Zone, with government estimates suggesting the status will bring around 8,000 new jobs and £1.2bn of private funding to the area by 2030. The Investment Zone includes the University of Sheffield and Sheffield Hallam University and will look to build on South Yorkshire's strengths in advanced manufacturing.

MPs CALL FOR TAX RELIEF REVIEW

A new report published by the cross-party Treasury Committee of MPs has concluded that the current tax system is 'too complex' and that scrutiny of the over 1,180 tax reliefs in operation is 'inadequate.' The Committee is calling on the government to carry out a 'comprehensive and systematic review' of existing tax reliefs in order to look for simplification opportunities and to better monitor for abuse and fraud.

RETENTION OF CE MARK WELCOMED

The Department for Business and Trade (DBT) recently announced an indefinite extension to use of the EU's CE marking system across 18 product categories that fall under the DBT's regulation. Commenting on the announcement, BCC Head of Trade Policy William Bain said, *"Businesses will breathe a sigh of relief that the government has decided to take a pragmatic approach to the safety marking of products sold in Great Britain."*

THE FOUR-DAY WORKING WEEK

Analysis by workplace supplies firm Banner suggests that, although the four-day week may be the future of UK work, implementing it will undoubtedly require an 'intelligent approach' and its success may ultimately depend on the type of four-day week organisations adopt.

The data shows interest in the concept remains extremely high among employees searching on Google and posting on social media. The company's Head of New Business, Alex Winstanley, describes the four-day week as "an exciting idea for most workers", but adds it is potentially "a bit scary for business owners."

The world's largest four-day week trial took place in the UK between June and December last year and involved 61 companies and around 2,900 workers. It was deemed a 'resounding success' after 92% of participants opted to continue the new working pattern, with benefits reported in a number of areas including employee wellbeing and staff retention, as well as increased revenues.



A key feature of the trial, however, was that the four-day week is not a 'one-size-fits-all' concept. Each participating organisation designed specific policies tailored to their particular industry, organisational challenges, departmental structures and work culture, meaning that a range of approaches were adopted including the classic 'Friday off' model, as well as 'staggered', 'decentralised', 'annualised' and 'conditional' structures.

This point is reinforced by Banner with Mr Winstanley concluding, "There is a big

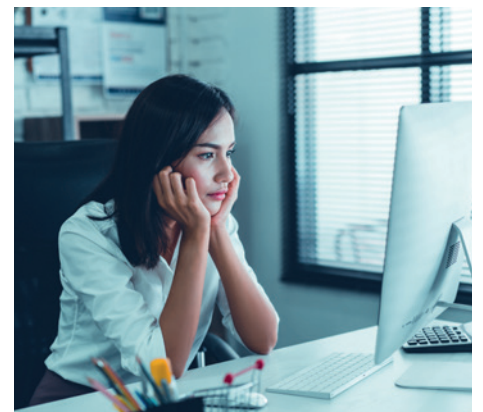
difference between a fixed four-day work week in which an entire company is closed on, say, a Friday, or a hybrid-style four-day work week in which each employee has a different day of the traditional working week off. Businesses need to consider it very carefully because one issue with the four-day week is that, once implemented, it will be very hard to undo without negatively impacting morale. It needs an intelligent approach."

WORKPLACE WORRIES

Research conducted by recruitment specialists Reed has revealed employees' chief workplace worries, with fear of asking colleagues too personal a question the top concern.

Interestingly, the survey found that just over a quarter of UK workers suffer from FOOC – a Fear of Offending Colleagues. Worryingly, however, it also revealed that almost a third of employees do not feel they can be their true selves at work.

In terms of specific anxieties, the biggest concern was to ask a colleague a question that could be seen as too personal, with almost a third of respondents saying this was a worry for them. Forgetting or pronouncing someone's name wrong was the next most cited concern, while not being sensitive to a colleague's religious beliefs or not being aware of, or assuming their sexuality, also featured among employees' top four workplace worries.



All details are correct at the time of writing (14 August 2023)

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