Prismatic Wealth Limited, Prismatic House,
26 Falcon Court, Preston Farm Business Park,
Stockton on Tees, TS18 3TX

Tel: 01642 661600
Email: enquiries@prismaticwealth.co.uk
Web: www.prismaticwealth.co.uk

BUSINESS REVIEW

Spotlight on issues affecting business



- BUSINESS GROUPS WELCOME RATE CUT
- RENEWED GROWTH IN BUSINESS OPTIMISM
- MANY SMALL FIRMS HAVE NO EMERGENCY FUND
- REMOVING BARRIERS TO EXPORTING
- NEW FOUR-DAY WORKING WEEK TRIAL
- OTHER NEWS

AUGUST 2024

BUSINESS REVIEW

BUSINESS GROUPS WELCOME RATE CUT

The Bank of England's decision to sanction a first reduction in interest rates for over four years has been warmly welcomed by groups representing the business community.

On 1 August, the Bank cut its benchmark rate of interest by 0.25 percentage points, taking Bank Rate down to 5%. The decision was a tight call though, with the nine-member Monetary Policy Committee split 5–4 in favour of the reduction. Bank Governor Andrew Bailey subsequently warned people not to expect a sharp fall in rates during the coming months.

Responding to the news, the British Chambers of Commerce (BCC) acknowledged the *'finely balanced'* decision which it said suggested the Bank was likely to proceed with *'caution'*. However, the BCC also stated that the cut would provide small firms with *'welcome breathing space'* and could trigger *'an increase in investment as borrowing costs decline'*.

The Federation of Small Businesses (FSB) said the rate reduction was *'desperately needed'* and that small firms would give it *'a warm welcome as a harbinger of more cuts yet to come'*. The FSB added that, while the cut would not immediately stem the financial pain, it did signal that things are finally *'moving in the right direction'*.

RENEWED GROWTH IN BUSINESS OPTIMISM

Two surveys published towards the end of last month both revealed a notable post-election surge in the overall level of business sentiment.

The headline confidence figure from the latest Lloyds Bank Business Barometer, for instance, rose to +50% in July, a nine-percentage-point jump from the previous month and the joint-highest recorded figure in almost eight years. This improvement in sentiment was driven by a significant pick up in firms' views of their own trading prospects, as well as growing optimism about the wider economy.

Commenting on the findings, the commercial bank's Senior Economist Hann-Ju Ho said, *"Businesses are feeling more confident, buoyed by their positive trading prospects and economic outlook. Retail-focused businesses were the main driving force behind the positive rise in trading prospects and these results tally with the improvement we have seen in consumer confidence."*

Another survey reported an encouragingly strong uplift in directors' optimism about prospects for the UK economy, with the Institute of Directors' Economic Confidence Index registering a 21-percentage-point rise last month. This left the Index at +7 in July, its highest level since summer 2021, which also happened to be the last time the Index was in positive territory.

MANY SMALL FIRMS HAVE NO EMERGENCY FUND

Research conducted by card payment provider Dojo has found that a significant minority of small businesses do not hold a reserve of cash to fall back on if their business struggles.

According to the survey of 1,001 UK-based small business owners, almost one in five small firms do not have any kind of emergency buffer set aside to cover unexpected expenses or financial emergencies. This suggests there are currently around one million small businesses in the UK with no cash reserves to fall back on.

The study also looked at the length of time firms could sustain their operations with current cash reserves. Although this did vary across industry sectors due to several factors including seasonality, revenue generation cycles and the competitive landscape, on average, small firms were found to have six months of cash runway.

Perhaps unsurprisingly, the research found financial stress to be the most cited area of concern for small business owners, with three in ten citing it as their biggest challenge. The next most challenging area related to technological acceleration, with just over a quarter of respondents stating their concern for issues such as the cost of investing in technology and upskilling their workforce in digital skills.

QUIRKY QUOTE:

"Success isn't determined by how many times you win, but by how you play the week after you lose"

— Pelé

REMOVING BARRIERS TO EXPORTING

A paper recently published by an FSB-led taskforce has outlined a five-step plan designed to unleash a new wave of small business exporters.

The SME Export Taskforce was set up by Jonathan Reynolds MP when he was Shadow Business and Trade Secretary, in order to address the fact that only 10% of small firms trade internationally. The taskforce found that current rules make trading difficult for SMEs, with government support described as *'confusing and not always helpful'.*

Five key priorities were identified by the taskforce: adopting a cross-Whitehall approach to trade policy; creating an open and honest relationship with business; taking global leadership on digital trade; providing SMEs with immediate support when they first start trading internationally and addressing the finance gap.

FSB Policy Chair Tina McKenzie commented, *"Our economy has been proving its mettle over the last few years, but to ensure sustainable growth we need to focus on exports. With the right policies, the benefits to local economies across the UK could be enormous. We need to cut through the red tape and lift our small business community to trade globally, easily. We hope this paper will form the blueprint for policies that will change the SME exporting landscape for the better."*

NEW FOUR-DAY WORKING WEEK TRIAL

Details of a second four-day week pilot due to run in the UK this Autumn have been announced by the 4 Day Week Campaign.

The previous trial in 2022 involved 30,000 employees at 61 companies, with a large majority of participants declaring it a success and at least 54 sticking with the four-day model one year later. Over the six-month trial period, companies reported a sharp decline in levels of employee stress and burnout, with the vast majority also satisfied business performance and productivity was maintained.

This time, the pilot aims to attract a wider range of employers in order to test whether the concept can work for smaller companies. It is also being designed to cover a number of other flexible working arrangements such as a nine-day fortnight, compressed hours and flexible start and finish times.

Joe Ryle, Director of the 4 Day Week Campaign, said, *"As hundreds of British companies and one local council have already shown, a four-day week with no loss of pay can be a win-win for workers and employers. With a new Labour government, change is in the air and we hope to see employers embracing this change."*

OTHER NEWS

THE COST OF COMMUTING

Analysis conducted by employee engagement platform Rippl has revealed the significant financial burden commuting puts on employees. According to the research, the average commuter who travels into the office five days a week has to spend the equivalent of 54 days' pay on their commute every year, while an average hybrid worker has to work 32 days just to cover the annual cost of commuting three times a week.

GROWTH IN MOBILE CONTACTLESS PAYMENTS

Figures released last month by UK Finance show the increasing popularity of contactless payments, with almost four out of every ten payments made in the UK during 2023 being contactless. The data also highlighted a notable rise in the use of mobile contactless payments with a third of all UK adults now making such payments at least once a month.

VAT REGISTRATION ESTIMATOR

HMRC recently launched a new digital tool designed to help small firms understand what registering for VAT might mean for their business. The free to use VAT Registration Estimator, which can be found on the government website, provides firms with an illustration of the potential amounts of VAT a firm might owe or be able to reclaim in order to determine whether VAT registration could be the right option for their business.

MENTAL HEALTH IS A KEY EMPLOYER CONCERN

New research conducted by Towergate Health & Protection shows that a majority of employers are concerned about their employees' mental health following the shift to hybrid working and believe the importance of providing support in this area is rising.

The survey, which covered companies of all sizes based right across the UK, sought to ascertain employers' concerns about various aspects of the wellbeing of their workforce considering the trend towards remote and hybrid working. Specifically, it asked respondents which of four areas they were most worried about, with mental health and wellbeing topping the list of concerns:

- Employees mental health and wellbeing **57%**
- Employees physical health and wellbeing **49%**
- Employees financial health and wellbeing **44%**
- Employees social wellbeing **44%**

The research also found that employers feel the need for mental health support is growing. In total, six out of every ten respondents said they believe the importance of providing support for mental health has increased among their workforce.

Commenting on the survey, David Williams, Towergate Health & Protection's Head of Group Risk, said, *"Our research shows that the move to hybrid and remote working has had a big impact on the mental health of employees. While the taboo around mental health is dissipating and the matter is moving up the corporate agenda, there is still more that can be done. Mental health support is vital in today's working world and employers need to embrace the support available in order to keep their workforce healthy, happy and productive. Whether provided through existing health and wellbeing support or as a standalone option, mental health support needs to be made easily available to all employees. Good mental health is the crux of all health and wellbeing and the positives to supporting it cannot be understated."*





ARE EMPLOYEE BENEFITS GENUINELY APPRECIATED?

A survey undertaken by GRiD suggests appreciation of employee benefits is significantly lower than employers typically believe.

Data from the research revealed that, while 66% of employers think their staff *'very much'* appreciate the benefits on offer, the level of appreciation employees themselves actually feel was 21%. GriD believes this disparity highlights three key issues that employers need to understand in relation to employee benefits.

Firstly, such benefits are now generally considered to be a standard part of the remuneration package, so to be genuinely appreciated, employers need to actively highlight where support goes that extra mile. Secondly, appreciation relies on employees fully understanding the benefits, which means employers need to ensure staff firmly grasp everything they offer. Finally, it is vitally important that employee benefits can be accessed in a straightforward and efficient manner.

All details are correct at the time of writing (08 August 2024)

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored advice and is for information purposes only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on individual circumstances. No part of this document may be reproduced in any manner without prior permission.