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BUSINESS REVIEW

Spotlight on issues
affecting business

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- ▶ BOUNCE BACK LOAN DEFAULT FEARS EASE
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AUGUST 2021

BUSINESS

REVIEW

QUIRKY QUOTE:

"Learn from the mistakes of others. You can never live long enough to make them all yourself"

— Groucho Marx

CBI SURVEY REPORTS BUMPER GROWTH

The latest Growth Indicator compiled by the Confederation of British Industry (CBI) suggests that private sector activity is growing 'robustly' and is expected to continue doing so over the coming months.

In the three months to July, the survey's composite index recorded a net balance of +33%, a similar figure to that achieved last month. In terms of sector performance, both distribution and professional services activity grew strongly, albeit at slower rates than in the previous month, while manufacturing grew at the same pace (a joint record level) and consumer services returned to growth, posting its highest figure in almost two years.

Growth over the next three months is expected to remain strong, although the CBI did warn that supply-side bottlenecks, most notably the 'pingdemic', could put recovery at risk. Staff shortages due to self-isolation were reported across all sectors and all parts of the country, and the CBI said this was significantly impacting day-to-day operations.

CBI Lead Economist Alpesh Paleja commented, *"The economy has been motoring ahead since restrictions began to lift a few months ago. For some sectors, growth is inevitably starting to settle towards more 'normal' rates, after the initial surge in recent months."*

BOUNCE BACK LOAN DEFAULT FEARS EASE

According to an early assessment of repayment data, defaults on emergency COVID loans look set to be lower than preliminary government figures initially predicted.

Bounce Back Loans were designed to provide small firms with quick access to funds in order to help them survive the COVID-19 crisis. As a result, a streamlined application process meant relatively light checks, thereby making them susceptible to fraud and default. This led to warnings that 35% to 60% of borrowers could default, with the Office for Budget Responsibility estimating that the scheme could cost the taxpayer up to £19bn.

However, recent analysis by officials and bankers, based on the first few months of debt servicing, found that only 5% to 10% of businesses have so far missed repayments. This implies that up to £5bn of loans are at risk of not being repaid.

Although some bankers fear that the government's 'pay as you grow' scheme may have pushed back the worst of the problems, it would appear that a stronger than expected economic recovery has helped many firms regain their financial independence. Indeed, a recent Paragon Bank survey found that over half of SMEs are now meeting or exceeding their pre-pandemic turnover, with nine in 10 positive about their post-COVID recovery.

EMPLOYERS STRUGGLE TO HIRE

The labour market has recovered strongly in recent months, with vacancies soaring as employers struggle to fill roles – although the spectre of potential redundancies still looms as furlough ends.

According to official data, the number of job vacancies in the UK is now above pre-pandemic levels. There were 862,000 vacancies in the three months to June, 77,500 more than in the first quarter of 2020. Furthermore, research by Adzuna suggests that the figure has continued to rise, with the number of open roles advertised on job boards exceeding one million across each week of July.

Commenting on the current situation, Adzuna co-founder Andrew Hunter said, *"The struggle to hire is one of the biggest challenges facing businesses, with hundreds of thousands of workers still on furlough, hesitation among others to go back to work, fewer overseas workers available to fill positions, and a lack of skilled staff in some sectors."*

Furlough scheme changes mean that employers have had to pay 20% of employee salaries since 1 August, which has prompted fears of job losses among the 1.9 million people still on furlough. Research by the British Chambers of Commerce, for instance, found that almost one in five firms planned to make redundancies in response to the policy change.

OTHER NEWS

EMPLOYERS 'NAMED AND SHAMED'

The Department for Business, Energy and Industrial Strategy has published the names of 191 firms who failed to pay the National Minimum Wage. The breaches occurred across a seven-year period up to 2018, with a total of £2.1 million owed to over 34,000 workers. Employers are obliged to pay back arrears at current minimum wage rates, as well as financial penalties up to 200% of arrears to the government.

CALLS FOR NEW RENT DEBT STRATEGY

The Commercial Tenants Association has called for a new approach to deal with billions of pounds of COVID-related commercial rent debts. Specifically, it wants the government to adopt an Australian-style model, requiring landlords to waive at least 50% of debts accrued during the pandemic and to allow the remaining balance to be repaid in instalments across the remaining time on the lease.

HMRC URGED TO SIMPLIFY VAT RULES

In response to an HMRC consultation on simplifying the VAT land exemption, the Institute of Chartered Accountants in England and Wales (ICAEW) has called the current VAT rules related to land and property 'unnecessarily complex', saying that they would benefit from 'significant simplification'. The ICAEW highlighted the need for a fundamental review of VAT exemptions, urging HMRC to abolish all VAT exemptions and remove all VAT options.

OUT-OF-DATE WEBSITES CAN HIT SALES

New research commissioned by Yell suggests that consumers are likely to spend significantly less with businesses that fail to update their websites regularly.

The study sought to gauge the views of business owners and consumers on the importance of websites for small firms; it found that an effective online presence is a key driver of sales and enquiries. Overall, 80% of SMEs said their website and social media presence was the most important aspect for lead generation and sales, while 69% of consumers said they were likely or very likely to seek out a business online before making a purchase.

Many firms, however, appear to be neglecting their websites, with analysis of one million SMEs suggesting that the average site was last updated 15 months ago. This could have a detrimental impact on online sales revenues, with the research suggesting that shoppers typically spend 54% less per month on websites that have not been updated regularly compared to those that have.

Interestingly, business owners cited a number of reasons for not updating websites. These include: a lack of expertise (34%), a lack of time (31%) and a fear that something might go wrong with the current site (30%).

SUNAK EXTOLS VIRTUES OF OFFICE WORKING

The Chancellor has again stressed the benefits of office working and warned young people that continuing to work from home could damage their careers.

Since the lifting of coronavirus restrictions on 19 July, the government has expressed its preference for a gradual return to workplaces across England. Rishi Sunak has further endorsed this message by saying that he wishes to see young people physically return to the office, believing such a move would prove 'valuable' to their careers.

Speaking to LinkedIn News, Mr Sunak said, "I've spoken previously about young people in particular benefiting from being in offices: it was really beneficial to me when I was starting out in my career. The mentors that I found when I first started my job, I still talk to and they've been helpful to me all through my career even after we've gone in different ways."

While some firms, such as the Chancellor's former employer Goldman Sachs, are actively encouraging employees to return to the office as restrictions ease, others are planning to allow office-based staff greater flexibility with working arrangements. Indeed, survey evidence suggests that many office workers would relish the opportunity to work remotely, at least some of the time.

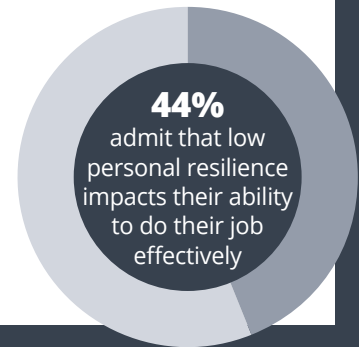
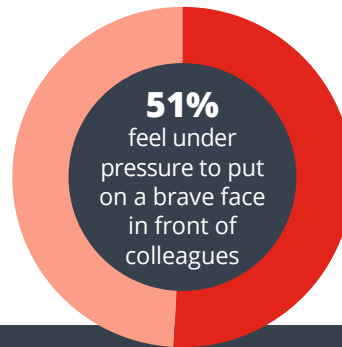
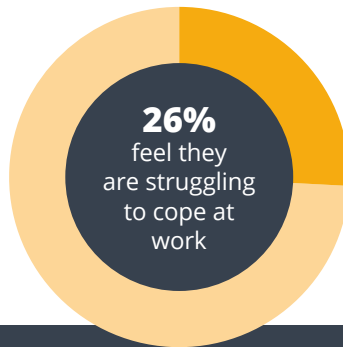
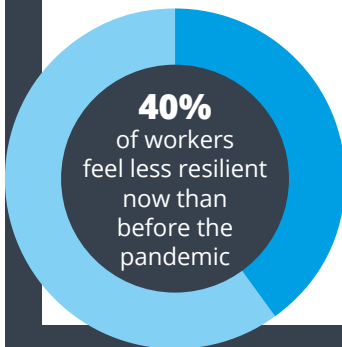
Workplace 'pleasanteeism' and mental health challenges

Recently released research commissioned by Lime suggests that 'pleasanteeism' is undermining efforts to promote an open dialogue about mental health in the workplace.

The findings, published in 'Keeping up Appearances: How 'Pleasanteeism' is Eroding Resilience', suggest that a significant proportion of the workforce are suffering from deteriorating mental health, with the pandemic leaving many feeling less resilient than ever before. The research also found that a lot of people feel the need to conceal their anxieties and put on a brave

face at work even when feeling stressed, under pressure or in need of help.

This brave face culture – coined 'workplace pleasanteeism' – is believed to be having a negative impact on mental health, personal resilience and productivity. Among the report's key findings were:



Worryingly, the report suggests that businesses could be heading for a mental health crisis, although it does outline a number of simple initiatives employers could introduce to support the mental health and resilience of their employees. These include:

- Conducting an employee survey and analysing absence data to reveal potential problems and understand how people are feeling
- Creating opportunities for colleagues to chat and relate to each other outside of 'work'
- Senior team members sharing their own challenges to encourage a more open and caring atmosphere
- Encouraging wellbeing initiatives and mindful practices that employees can do in their own time.

The past 18 months have had a huge impact on people's lives, including on their mental health and resilience. The long-term repercussions of the pandemic are likely to be felt for years to come, and it's important we act now to be aware of and prioritise both our own mental health and that of those around us.

— Shaun Williams,
CEO & Founder of
Lime Global Ltd

NATIONAL DISABILITY STRATEGY

The Federation of Small Businesses (FSB) has expressed disappointment with the new National Disability Strategy recently unveiled by the Department for Work and Pensions.

While welcoming some elements, the FSB said that helping disabled people in the workplace needs to be a higher priority, and that more could be done with existing schemes, such as Kickstart, to boost the number of disabled people in work. It also felt that the Access to Work strategy could be developed further so that disabled people have the equipment they need when starting a new job.

FSB National Chair Mike Cherry added, "The failure of our whole country to do more to support disabled people to prosper is a moral and economic disaster. Small businesses already employ a disproportionately higher number of disabled people compared to the rest of the private sector, but we think far more could and should be done to increase disabled employment across all workplaces."

All details are correct at the time of writing (11 August 2021)

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