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BUSINESS REVIEW

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affecting business

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BUSINESS

REVIEW

LITTLE APPETITE FOR OLD 'NORMS'

New research suggests that most UK business executives and their workers do not want a return to the 'normal' working practices that prevailed prior to the coronavirus outbreak.

According to the survey of 2,000 adults, commissioned by accountancy and consulting firm Theta Financial Reporting, 57% of respondents said they did not want to go back to *'the normal way of working in an office environment with normal office hours'*. Furthermore, 35% felt that returning to a traditional office could harm both their mental health and productivity.

While this desire for change may partly reflect workers' nervousness at going back to an office environment while COVID-19 remains in circulation, it does suggest that many employees would welcome increased flexibility in working arrangements. The research also found that many employers concur, with 45% of business leaders saying they see the working environment changing for the better as a result of the pandemic.

A greater degree of flexibility has already been evident as offices have started to reopen, with 46% of respondents saying their employer had explored flexible working options to help them and their colleagues return to work. This seems to confirm that new working 'norms' will emerge, at least in the near term.

CIMA: FOCUS ON SKILLS

The Chartered Institute of Management Accountants (CIMA) has urged the government to address the UK's 'long-standing productivity woes' by focusing future skills investments in industries that will help the country compete globally and address social mobility.

A 2019 report published by the Industrial Strategy Council found that around one in every five members of the UK workforce are likely to be significantly under-skilled for their jobs by 2030. CIMA believes the coronavirus pandemic has undoubtedly exacerbated this anticipated skills gap.

As the UK emerges from lockdown, CIMA is therefore warning of potential problems for long-term economic recovery if the country simply reverts to a 'business as usual' approach. Instead, the government is being urged to invest wisely in education and training in order to develop a more skilled and motivated workforce.

Specifically, CIMA is calling on government to invest more in apprenticeships for high-value and productive industries, drive regional investment in order to deliver new skills clusters and drive investments towards higher level apprenticeships. In addition, it recommends changing the Apprenticeship Levy to an Apprenticeship and Skills Levy, and simplifying the levy in order to create a more flexible system for both apprentices and employers.

RISE IN IMPERSONATION FRAUD

Trade credit insurer Atradius has warned businesses of the need to be extra vigilant as the country emerges from lockdown, after seeing an increase in levels of impersonation fraud during the pandemic.

This type of crime occurs when an impersonator approaches a firm under the guise of looking for new suppliers. Initially believing the fraudulent party to be reputable and credit-worthy, the supplier progresses the order and then unwittingly delivers goods to rogue trading premises. However, once the goods are received, the impersonator disappears, leaving any invoices unpaid.

The rise in impersonation fraud has been blamed on opportunistic fraudsters exploiting disruptions to normal business patterns caused by the coronavirus lockdown. Simon Rockett, Head of Risk Underwriting at Atradius UK, said: *"Lockdown measures have changed normal operations for many businesses – including shutdowns, a sudden drop in demand and supply chain interruptions. As a result, businesses are actively seeking new customers for their goods and services and will increasingly do so as the country emerges from lockdown. The concern is that the eagerness to resume trading will mean businesses could become less cautious in their approach to due diligence and so more likely to get caught out – which is exactly what fraudsters are hoping for."*

For the latest information on COVID-19 and the measures the government are taking visit the government website.

OTHER NEWS

COMMUTERS CONSIDER CYCLING

A survey undertaken by OnBuy.com suggests over half of UK employees are considering cycling to work. A key factor in this decision is safety, with almost two-thirds of potential cyclists saying they want to avoid 'unsafe' public transport. In addition, one in five said a desire to save money was encouraging them to consider commuting by bike, while one in seven wanted to improve fitness.

QUIRKY QUOTE:

"We are all navigating this new normal together. As we lock arms virtually and try to help one another in the ways we can, our vast world suddenly feels a little smaller and a lot more connected. And for that, we are grateful."

— Michael Dell – CEO of Dell

FSB CALLS FOR SUPPORT

The Federation of Small Businesses (FSB) has outlined a series of measures which it believes will enable small firms and the self-employed to bounce back strongly from the coronavirus-induced recession.

Mechanisms designed to assist the small business community formed a key part of the government's COVID-19 business support package and the FSB is hoping for a similar response as the country moves out of lockdown. Indeed, the business group firmly believes that a strong recovery is a distinct possibility provided the right support is put in place.

In particular, the FSB has stressed the need for an ambitious approach to labour market interventions, calling for a reduction in employers' National Insurance Contributions, assistance for small firms with apprenticeship costs, and full statutory sick pay rebate for self-isolating workers. It has also called for a student loan-style approach to emergency loans which would allow small firms to start repayments once they are making a profit.

The FSB has also urged government to deliver on its previous commitments relating to broadband and mobile infrastructure, improvements to the road network and a reduction in car park charges. It argues that such measures would do wonders for productivity levels right across the small business community.

LATE PAYMENT CRISIS DEEPENS

The FSB is also calling on policymakers to finally end the country's debilitating late payment crisis after publishing research which shows poor payment practice has been exacerbated by the pandemic.

Although the previous Conservative administration did announce a raft of reforms designed to tackle the UK's late payments culture in June 2019, a combination of Brexit, a General Election and the COVID-19 outbreak has resulted in this package of measures not being enacted. However, during that time, the crisis has actually deepened.

Indeed, according to a recent FSB survey of more than 4,000 firms, 62% of small businesses have experienced either an increase in late payments or had payments frozen completely as a result of the pandemic. Perhaps surprisingly, the study also reported no discernible variation in late payment activity between public and private sector supply chains.

Commenting on the findings, FSB National Chair Mike Cherry, said: *"Before the COVID-19 outbreak struck, many small firms were already under immense financial pressure because of late payments. With cashflow drying up as the lockdown took hold, this situation has worsened. The government promised to act a year ago. Time is running out – we need to see delivery."*

SMALL FIRMS HIT HARD

Research published by business banking app Amaiz, highlights the impact COVID-19 has inflicted on the small business community. In total, one in ten small firms said they had lost all their business as a result of the lockdown while a third described the pandemic as 'very damaging'. The findings did, however, suggest most firms could bounce back relatively quickly, with almost six in ten small businesses believing it will take less than six months to return to previous levels of turnover.

CORONAVIRUS LENDING SCHEMES

Data recently released by HM Treasury has revealed that over one million businesses have been supported through one of the three government-backed COVID-19 lending schemes. In total, loan facilities worth £45 bn have now been approved through the Coronavirus Business Interruption Loan Scheme, Bounce Back Loan Scheme and Coronavirus Large Business Interruption Loan Scheme.

The Chancellor's Summer Economic Update

On 8 July, the Chancellor revealed his 'Plan for Jobs' to help the country bounce back following the pandemic, some of the key points for businesses include:



COMMENT ON THE UPDATE

Responding to the Economic Update, FSB Chairman Mike Cherry, commented:

"We've always said that the Chancellor should take a jobs first approach to today's intervention and that's exactly what he's done... Will this set of measures be enough to spur activity over the coming weeks? That's something that will need to be kept under close review - we may need further action before the autumn. The key now is making sure these positive new measures work for all, especially the small firms that make-up 99% of our business community and employ 17 million people."

▶ Furloughed worker support

Job Retention Bonus aimed at encouraging firms to retain furloughed staff. A one-off £1,000 payment to employers for every furloughed employee retained to the end of January 2021. Applies to workers earning over £520 per month, UK-wide.

▶ Young worker support

Kickstart scheme: £2bn fund to pay for six-month work placements for 16 to 24-year-olds on universal credit. Payments cover national minimum wage for 25 hours per week, plus National Insurance and pension contributions.

£1,000 grant per trainee for employers who take on new trainees aged 16-24 in England, aiming to triple trainee numbers.

£2,000 grant for employers per apprentice under 25 hired, £1,500 for those over 25, for six months starting 1 August (in England).

▶ Six-month VAT cut

For restaurants, hotels and attractions, from 20% to 5% from 13 July to 12 January 2021 for selected areas.

PMI SUGGESTS 'VASTLY IMPROVED' ECONOMIC OUTLOOK

The latest purchasing managers' index (PMI) data from the UK manufacturing sector pointed to significant economic stabilisation in June.

Coming in at 47.6 in June, IHS Markit's composite PMI survey reading registered a sharp upturn from April and May's readings of 30.0 and 13.8 respectively. Although a score of less than 50 is indicative of a decline, a 47.0 figure from the services sector and a 50.1 reading from the manufacturing sector still points to a 'vastly improved' economic outlook for the coming months, IHS Markit commented.

SUSTAINABILITY BECOMES TOP PRIORITY FOR BUSINESSES POST-COVID

The outbreak has been a hugely difficult time for UK businesses and their workforces. However, global lockdowns have also had the positive result of drastically improving air quality in some of the world's most polluted cities.

Due to this, sustainability and a commitment to fighting climate change look set to become a major focus for UK businesses going forward. In fact, 69% of businesses now say they want to support their workforce in reducing their impact on the environment.

COULD OFFICE DEMAND REALLY DROP BY 50%?

The coronavirus pandemic led to an unprecedented shift to home working during the spring months - and it seems that many businesses aren't keen to go back to the way things were.

New research has calculated that the combined area of the UK's unused commercial office space is currently 50 times larger than London's O2 arena. The report also identifies key changes we might expect to see in the commercial property sector this year - including regular remote working becoming the norm for up to 50% of the UK workforce.

All details are correct at the time of writing (8 July 2020)

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