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BUSINESS REVIEW

**Spotlight on issues
affecting business**

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BUSINESS

REVIEW

TOLL OF UNCERTAINTY ON SMALL FIRMS

First quarter data from the Small Business Index (SBI) published by the Federation of Small Businesses (FSB) has revealed the current toll of uncertainty on the small business sector.

The SBI was launched in 2010, and many of the current readings now stand at all-time low levels. For instance, export expectations for the coming three months, the proportion of small businesses reporting falling revenues and staff recruitment figures, all languish at the lowest points in the index's nine-year history.

In short, the FSB concludes that small firms are pausing recruitment plans, halting investment and scaling-back exports. And it blames the situation squarely on Brexit-related political turmoil, which has left the small business community hamstrung.

Amid the ongoing political uncertainty, the FSB has called on the government to provide small firms with vouchers that will enable them to access the advice, equipment and upskilling that will be required to successfully adapt as new trading arrangements emerge. Both the Irish and Dutch governments have announced similar schemes and the FSB is urging the UK government to follow their example.

WHAT MAKES EMPLOYEES HAPPY?

A recent nationwide survey of workplaces has revealed that being appreciated is the key to employee happiness.

The Happy Office Survey 2019, conducted by Peldon Rose, found that 80% of UK workers felt being appreciated is essential to their happiness at work. In comparison, 58% of employees cited salary as a critical factor. The findings, therefore, suggest that being appreciated is more important than money to a significant proportion of employees.

Other factors found to contribute significantly to workplace happiness include technology and having the right tools for the job, which 79% of workers valued, and friendships at work which was cited as important by 63% of respondents.

The survey also suggests that employers could do a little more to boost workplace happiness, with only 67% of employees suggesting they were happy at work. In addition, just 45% of respondents felt appreciated at work.

Other studies have highlighted the importance of a happy workforce. Recent research by The University of Warwick, for instance, found that a 'happy' worker is 12% more productive than an 'unhappy' one. It is therefore clearly in employers' interests to do all they can to create a happy working environment for their business to flourish.

CHANCELLOR'S LATE PAYMENT CLAMPDOWN WELCOMED

The FSB has welcomed measures to tackle the late payments issue announced by Chancellor Philip Hammond during his Spring Statement on 13 March.

The Chancellor announced the first stage of a crackdown on the scourge of late payments, which will require listed companies to report their payment performance in their Annual Report and accounts, and review payment practices via their Audit Committees. Although Mr Hammond did not provide any details of the time frame, he did say that Greg Clark, the Secretary of State for Business, Energy and Industrial Strategy, will lead the consultation and introduction of new regulations.

Responding to the Chancellor's Spring Statement, FSB National Chairman Mike Cherry said: *"The commitment from the Chancellor that the Business Secretary will see this through is welcome, and we are especially pleased that the first measure has been announced – to make a Non-Executive Director responsible for the supply chain through the Audit Committee of every large business and to report back through the Annual Report on their progress. The Chancellor has sent a clear message to UK boardrooms by committing to ending the late payment crisis that destroys 50,000 businesses a year."*



OTHER NEWS

Scale-up businesses at new high

Analysis of ONS data by The ScaleUp Institute shows the number of UK scale-up businesses – firms increasing their turnover and/or employee numbers annually by over 20% across three years – hit a record 36,510 in 2017. These firms employ around 3.4m people and generate £1.3tn in combined turnover. Further research reveals eight out of ten such businesses expect to grow again, potentially generating £1.5bn more in turnover and creating 7,000 extra jobs in 2019.

Why SMEs struggle to attract young talent

Research suggests just a third of people leaving full-time education wish to work for SMEs due to a perceived lack of job security and belief that SMEs offer lower salaries and fewer career progression opportunities than larger firms. Graduate recruitment remains a key issue for SMEs who need to promote the positive aspects of working for small businesses to attract young talent.

Insurance for terrorist-related losses

While SMEs would be hard-hit by the business disruption caused by a terrorist attack, few hold terrorism cover. Some small businesses believe existing insurance policies would cover such losses or that government would pick up the tab. But this is not the case and Pool Re, Britain's state-backed terrorism reinsurer, aims to raise awareness of this across the small business community.

SMALL FIRMS HIT BY INCREASED COSTS

Early April saw small firms face a raft of new charges and additional reporting requirements which will inevitably increase the cost burden on small businesses.

The changes included new rules under HMRC's Making Tax Digital (MTD) programme, an increase in auto-enrolment pension costs, and a rise in the National Living Wage and business rates.

Around two million VAT-registered small businesses have had to comply with the MTD initiative, with the software required to meet these obligations estimated to cost around £564 per business. Although HMRC disputes these figures, they do concede that 1.2 million businesses have been affected, with the average cost to transition amounting to £109 per firm and £31 per year thereafter.

Recent changes to auto-enrolment pension schemes have also hit small business finances. Minimum total contributions have risen to 8% of the employee's qualifying earnings, with employers required to shoulder 3% of the contribution.

Small firms have also had to cope with an increase in the National Living Wage and the National Minimum Wage. The former has risen from £7.83 to £8.21 per hour for workers aged over 25, while the latter increased from £7.38 to £7.70 per hour for those aged 21–24.

Although a new discount scheme is providing relief for some small retailers, pubs and restaurants, the total 2019–20 business rates bill has still increased by £206m. Furthermore, the third year of the business rates revaluation period has seen some firms lose transitional caps, leaving many small businesses with a 20% hike to their bills plus an inflation-linked increase.

SMEs CLOSING GENDER PAY GAP QUICKEST

Data from the government's Gender Pay Gap Service has revealed that smaller firms are doing more to close the gender pay gap than their larger counterparts.

By law, all employers with 250 or more employees must publish gender pay gap figures. And, although the latest batch of statistics shows the disparity in the amount women earn compared to men remains a real area of concern, analysis by Moorepay shows the pay gap at UK smaller employers is closing faster than at larger firms.

For instance, while firms employing between 250–499 staff were found to have cut their gender pay gap by 2.35% in 2018 compared to 2017, companies employing between 5,000–19,999 workers had closed their gender pay gap by just 0.41%.

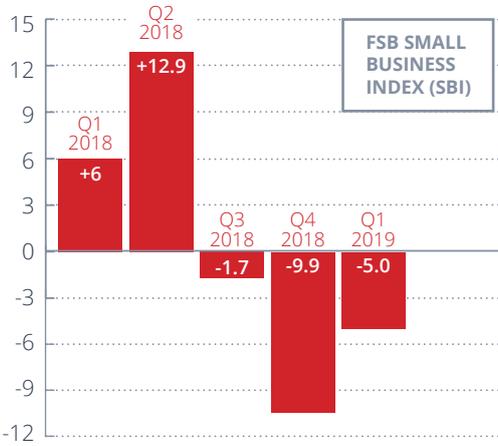
Michelle Hobson, HR Technology & Services Director at Moorepay, commented: *"While there is work to do, our analysis suggests that smaller businesses are succeeding in addressing female pay disparity more effectively than many larger employers. This may seem counter-intuitive at first, as we assume larger companies will provide better pay and benefits, but the reality is that smaller firms have to compete for the same talent and are often more aware of the value that each staff member brings to their business."*

QUIRKY QUOTE:

"Don't spread yourself too thin... focus trumps freneticism any day."

– John Coleman

Small Business Confidence



- The Small Business Index rose **4.9** points in Q1 2019
- The Index remains in negative territory at **-5.0**, the second lowest reading since 2012

INVESTMENT INTENTIONS

72%

of small firms do not expect to increase capital investment in the coming quarter

GROWTH PROSPECTS

50.4%

of small firms expect to grow their businesses over the next 12 months

OPERATING COSTS

74%

of small businesses say their expenditure is up compared to last year

FSB, March 2019

WHAT ARE UK SMEs AIMING TO ACHIEVE IN 2019?



According to recent research, UK SMEs are aiming to achieve the following this year:

- Delivering greater profit: **27%**
- Increasing staff: **18%**
- Putting a renewed focus on their brand/marketing/online presence: **16%**
- Launching a new product: **14%**
- Expanding into new international markets: **10%**

Nucleus Commercial Finance, March 2019

ESSENTIAL TAX DATES



14 April

- Due date for income tax for the CT61 period to 31 March 2019

19 April

- Automatic interest is charged where PAYE tax, student loan deductions, Class 1 NI or CIS deductions for 2018/19 are not paid by today. Penalties may also apply if any payments have been made late throughout the tax year
- PAYE quarterly payments are due for small employers for the pay periods 6 January 2019 to 5 April 2019
- PAYE, student loan deductions and CIS deductions are due for the month to 5 April 2019
- Deadline for employers' final PAYE return to be submitted online for 2018/19

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