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BUSINESS REVIEW

Spotlight on issues
affecting business

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- ▶ **CHANGES TO FURLOUGH SCHEME**
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BUSINESS

REVIEW

QUIRKY QUOTE:

"Life throws challenges but with patience and resilience, you can convert every challenge into a new opportunity to grow."

— Amit Ray

RESTARTING OPERATIONS SAFELY

Research undertaken by the British Chambers of Commerce (BCC) has found that a considerable minority of firms will struggle to implement government coronavirus guidance safely.

Data from the BCC Coronavirus Business Impact Tracker suggests that most businesses are confident they will be able to restart their operations in accordance with government guidelines relating to COVID-19 safety. Indeed, 37% of firms said they could fully restart their businesses while 45% said they would be able to partially reopen.

However, the survey does show that one in ten businesses would be unable to implement current government guidance designed to ensure firms can reopen safely. The principal reason cited for this response was difficulties associated with obeying social distancing guidelines.

BCC Director General Dr Adam Marshall commented: *"While businesses have welcomed the publication of official guidance on how they can reopen premises and restart operations, some sectors still require greater clarity from the government on when and how they will be allowed to do so. Companies at all levels of readiness to restart, of all sizes, and in every part of the UK will need sustained government support as they navigate the 'new normal' with reduced demand and restrictions still in place."*

CHANGES TO FURLOUGH SCHEME

Chancellor Rishi Sunak has announced a series of changes to the Coronavirus Job Retention Scheme which will officially be wound down by the end of October.

Over a quarter of the UK workforce is now being supported by the government's furlough scheme and Mr Sunak confirmed they will continue to receive 80% of their salaries until it ends. However, he also set out details of how firms will start sharing the scheme's cost: from August employers will pay National Insurance and employer pension contributions; in addition they will pay 10% of furloughed employees' salaries from September, rising to 20% in October.

Another change to the scheme will allow businesses to bring furloughed staff back to work on a part-time basis from 1 July. Individual firms will be able to set the specific hours staff work on their return, but employers will have to pay 100% of furloughed employees' wages while they are back at work.

The Chancellor also announced that self-employed workers whose business has been affected by coronavirus will be entitled to a second payment under the Self-Employed Income Support Scheme. Applications for this taxable grant will open in August with the final three-month payment covering 70% of the applicant's average monthly trading profits up to a maximum amount of £6,570. Eligibility criteria apply.

SICK PAY REBATE SCHEME OPEN

HMRC has opened its Statutory Sick Pay (SSP) rebate claim service with eligible employers able to recoup up to two weeks' payments made to employees who have been off work due to coronavirus.

The online service went live on 26 May with the scheme potentially worth up to £191.70 per employee that an employer has made SSP payments to for COVID-19-related reasons. To be eligible for a rebate, employers must have had a PAYE payroll scheme established on or before 28 February 2020 and also had fewer than 250 employees on that date.

Employees displaying coronavirus symptoms themselves and those living with someone displaying symptoms are both eligible for the scheme, although claims cannot be made for employees who were furloughed at the time of their illness or absence. It also doesn't matter whether an employer topped up their employees' earnings, although in such cases, only the SSP element is eligible for rebate.

All types of employment contracts are covered by the scheme, including full-time and part-time employees; employees on agency contracts; employees on flexible or zero-hour contracts and fixed term contracts. The scheme is currently ongoing with no end date yet announced.

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



OTHER NEWS

COMPANY DIRECTORS NEED SUPPORT

The FSB has urged the government to provide company directors with more support to see them through the coronavirus pandemic. In a letter to Small Business Minister Paul Scully, the business group highlighted how self-employed company directors who pay themselves via dividends have largely 'slipped through the cracks' of the various COVID-19 support measures. The FSB is calling for urgent action to ensure businesses are not forced to cease trading.

SMALL FIRMS SUPPORTING COMMUNITIES

A new survey conducted by the Federation of Small Businesses (FSB) has highlighted the critical role small firms have played within their local communities during the coronavirus pandemic.

The research vividly demonstrates how small businesses have engaged with both individuals and organisations across their local areas in order to selflessly support communities. For instance, over half (57%) of all small firms surveyed said they had carried out some key role within their community during the pandemic.

This support came in various guises. For example, almost a third of small firms prioritised their businesses for the vulnerable, while around a quarter donated provisions to local food banks. In addition, just under a quarter of small businesses said they helped key workers by providing PPE, volunteering or offering accommodation.

FSB National Chair, Mike Cherry, has applauded the scale of these efforts commenting: *"Right across the country we are seeing countless acts of kindness, volunteers and community efforts on display from small businesses and the self-employed, helping each other to survive, recover and thrive. This is a testament to the efforts of all of the country's 5.8 million small businesses and their importance to local communities."*

MENTAL HEALTH GUIDANCE

Acas has published new guidance to help staff manage mental health issues after a survey found many employees have struggled while working from home during the pandemic.

The Acas-commissioned YouGov survey suggests that almost two in every five employees working from home felt stressed, anxious or experienced mental health difficulties. In addition, half felt isolated whilst working from home and seven out of ten missed social interactions with colleagues.

Acas's new advice offers some practical steps to ensure employees working from home can look after their mental wellbeing and deal with feelings of isolation. These include: discussing working hours and when to take breaks with your manager; talking about the types of contact you'd prefer, including video or phone calls; mixing up work so it involves calls with other staff and planning coffee breaks to maintain contact with colleagues.

Commenting on the findings, Acas Chief Executive, Susan Clews, said: *"The coronavirus lockdown has created lots of extra challenges such as a lack of social contact with work colleagues, feeling alone, trapped or struggling with childcare responsibilities. Our new coronavirus mental health advice offers practical advice on how workers, managers and bosses can support their colleagues during this difficult time."*

CORONAVIRUS FUTURE FUND

A new government initiative has been launched which aims to provide support for struggling start-up businesses not currently eligible for other coronavirus rescue measures. The Future Fund, administered by the British Business Bank, will provide convertible loans of between £125,000 and £5 million to UK-based innovative early stage companies, provided private investors at least match the level of funding being supplied by the state.

TAX EXEMPTION FOR HOME WORKERS

The Treasury has introduced a temporary tax exemption for coronavirus-related home office expenses which has effect from 16 March 2020 until 5 April 2021. The exemption relates to equipment obtained for the sole purpose of enabling an employee to work from home as a result of the pandemic and will ensure such reimbursed expenses do not attract tax or National Insurance contribution liabilities.

THE ROAD TO RECOVERY

ECONOMIC RECOVERY ON THE CARDS?

A recent report produced by Oxford Economics, commissioned by the Institute of Chartered Accountants in England and Wales (ICAEW) indicates that an economic recovery is likely in the UK once restrictions are eased. The report states that the unusual nature of the recession could prove to be a silver lining from a recovery perspective, because GDP has fallen due to a planned, partial economic shutdown, then theoretically activity and demand should rebound as restrictions lift. Policy support by the Bank of England and government to 'preserve employment, incomes and liquidity will support recovery', the report states.

Going on to highlight the unusual nature of the situation, the report does specify, 'A rebound will be aided by the fact that, while the pandemic has inflicted a terrible human toll, unlike a natural disaster such as an earthquake or flooding, it has not caused any damage to the country's physical capital, such as buildings and infrastructure.'

If the lockdown continues to be relaxed over the summer, the report outlines that the economy should return to growth in the second half of 2020. Oxford Economics expects GDP to rise by 7.8% in 2021, although output is not expected to regain the end of 2019 level until the final quarter of 2021.

However, the report was clear to highlight that many uncertainties and risks remain. If a second wave occurs and another lockdown is imposed or this current lockdown extended, the long-term economic damage would be worse than expected. In addition, the early withdrawal of fiscal support or the breakdown of UK-EU trade talks could all also serve to severely impede an economic recovery.

Martin Beck, Oxford Economics Lead UK Economist, commented on the report: "Coronavirus and the restrictions on daily life imposed in response are inflicting a once-in-a-century downturn on the economy. But the nature of the shock and the massive support put in place by policymakers mean a strong bounce back is achievable. However, with no precedents to draw on, the outlook is clouded by multiple risks."

Oxford Economics and ICAEW, June 2020



THE ROAD TO RECOVERY FOR SMEs

The most recent SME Barometer from Barclaycard Payments, which gathered research from 576 senior members of staff working in UK SMEs between 1-21 April, outlines that although businesses in the UK are reporting a dip in sentiment in Q2 and predicting poor short-term performance, early signs suggest they have begun on the road to recovery.

Headline data from the research:

- ▶ Low expectations for business growth, with revenue predicted to fall by 28% in Q2 and contract 5.1% over the next 12 months
- ▶ 82% of SMEs say coronavirus has already had a negative impact on their business and 73% forecast coronavirus to continue to have a significant negative impact for the next three months
- ▶ Only 19% of SMEs think the virus will still have a significant impact after 12 months and just 8% feel it will still have a significant negative impact in two years' time, with 70% expecting a slight or no noticeable impact
- ▶ The number of SME clients actively taking payments has increased by 24% since early April
- ▶ Almost two-thirds of SMEs say they are planning to invest in their business over the next 12 months.

Head of Small Business Acquiring at Barclaycard Payments, Konrad Kelling, commented, "It's encouraging to see small and medium-sized businesses starting to come online again as we emerge from lockdown. While we don't expect an overnight recovery, the resilience and perseverance of small businesses gives us optimism as we look towards the next 12 to 24 months."

Barclaycard, May 2020

All details are correct at the time of writing (10 June 2020)

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