Policy Voice
Full survey results

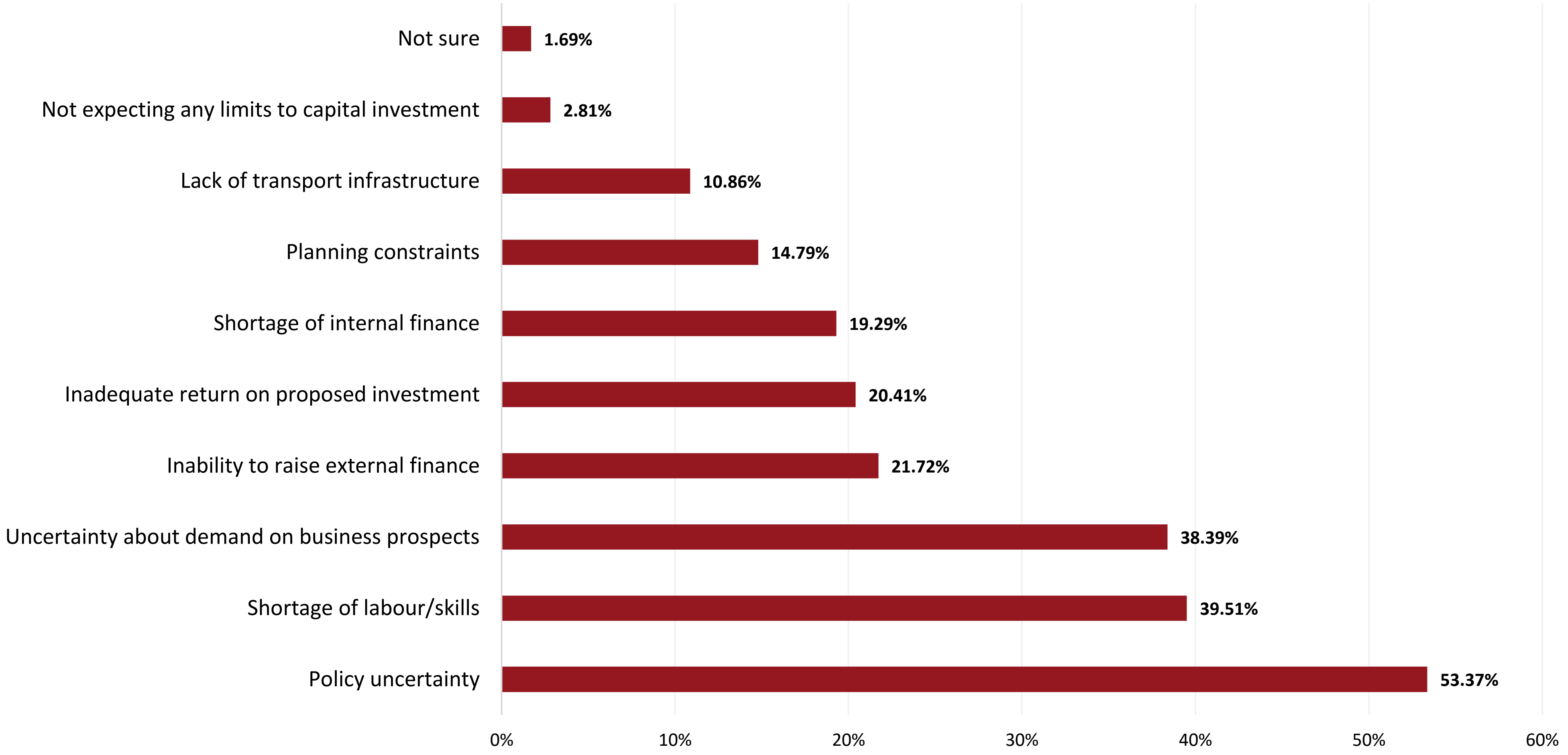
July 2024

Respondents: 571
Survey dates: 19 – 30 July 2024

Barriers to growth

Growth is a large focus of the new government, and we wanted to gather member feedback to input to their policy strategy. Jonathan Reynolds, Secretary of State for Business and Trade, offered four areas he particularly wants insight on: barriers to growth and investment, industrial strategy, employee wellbeing and exports. This data will be passed directly into the heart of government to influence their growth agenda.

Of the following, which stop you growing/investing in your business? Please select all that apply



Industrial Strategy

The Secretary of State for Business and Trade, Jonathan Reynolds, turned to business for some feedback on how the government can best make use of an industrial strategy. We received a wealth of interesting responses on what the focus of an industrial strategy should be and how it should be created.

The overarching themes returned by business were that the industrial strategy should deliver stability and foster growth. A large number of comments reflected the need for a long-term approach, to provide an environment in which firms can invest and plan for the future. There were a couple of suggestions on how to define ‘long-term’:

“A clear vision for the future of the UK and plan of how we are going to achieve it. This will enable businesses to ensure they are aligned and responding to the plan. Need long term funding commitments i.e. 3-5 years not just 12 months to enable businesses to plan and invest accordingly.” (250+ employees, Education, Wales)

“Create a strategy and plan for the long term, 10 years plus, and stick to it unless it's genuinely important to adapt. Too much business resource is spent dealing with short term change which adds little value. We need to work on a culture of trust and doing the right thing, to reduce the regulatory burden on organisations which is hampering productivity and innovation.” (100 – 249 employees, Health and Social Work, East of England)

“The Government need to move to medium and long-term investment strategies - 3, 5 and 10 year funded investment plans that are real, not short term Treasury lead one-year settlements.” (250+ employees, Construction, South East England)

That being said, many argued that while the government should play an important role in creating stability for business, they should balance this with, as many put it, 'staying out of the way of business' and respecting the free market:

"An industrial strategy needs to balance the vibrancy of an entirely free market with the strategic need to maintain security. Private capital and finance will flow to areas where there is demand, provided there is not undue regulatory and other controls and returns are not depleted by excessive taxation. That said, the nation needs security of supply for key industrial commodities (eg energy, steel - and the inputs it requires - fertilizer, silicone chips, arms) and food, so an industrial strategy needs to include farming. Without secure supplies of the core essentials our nation can be held to ransom in an increasingly dangerous and threatening world." (250+ employees, Professional, Scientific and Technical activities, London)

And while many expressed the view that government should not intervene too much in the daily affairs of business, respondents were keen for the government to engage with industry in the creation of the industrial strategy:

"Genuinely engage business in the process. An industrial strategy needs to be co-created with industry and therefore ownership of the actions needs to sit with both business and government." (250+ employees, Transportation and Storage, London)

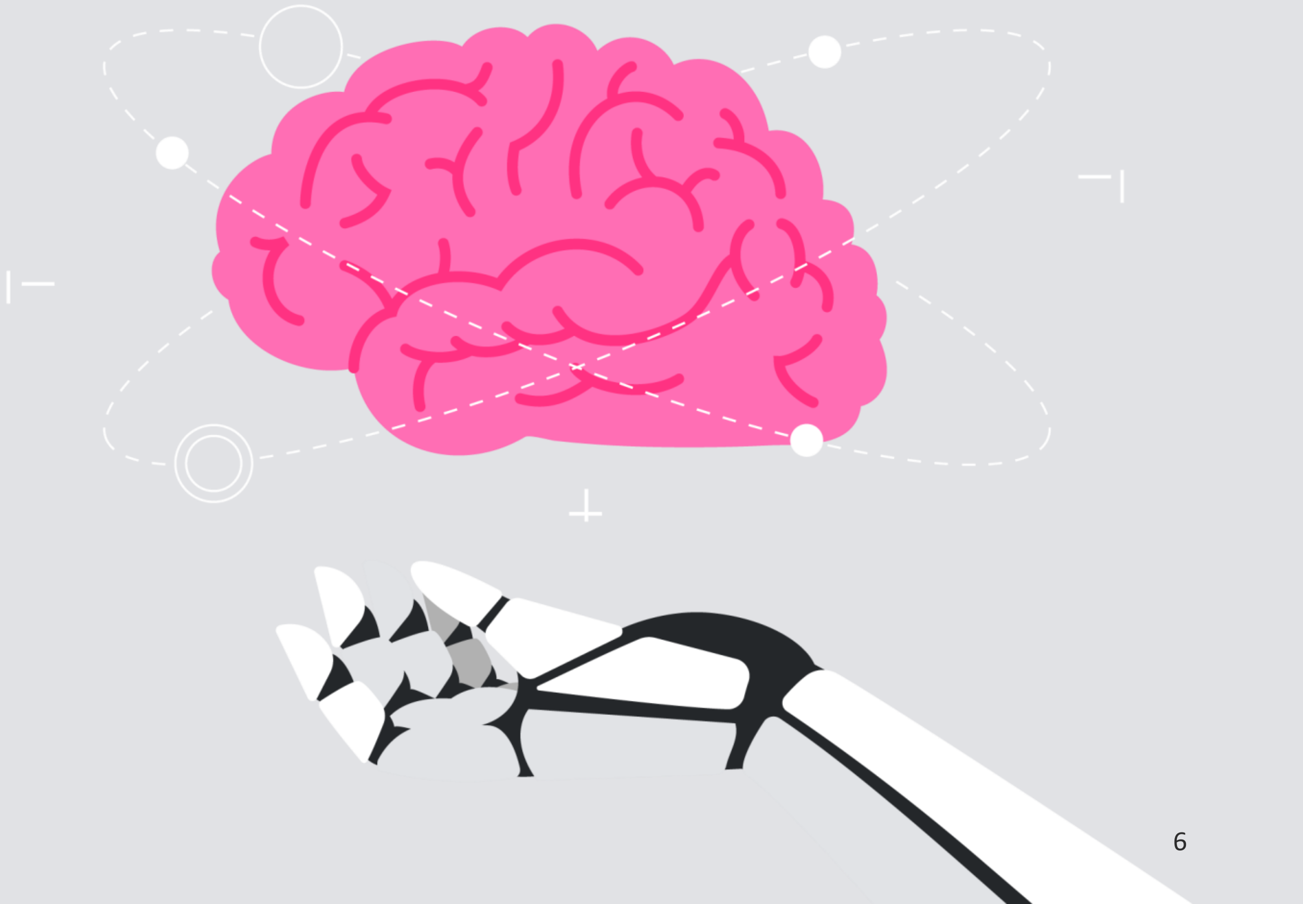
There were many areas of policy activity that businesses would like to see the government prioritise, covering multiple sectors. However, there were four primary areas that stood out.

First, a focus on reskilling the workforce, particularly in areas like sustainability, AI and tech:

“Commitment to long-term infrastructure plans that span government administrations is essential for wider economic planning and development. This needs to include re-skilling the workforce for green economy jobs and committing to meeting our statutory net zero targets, which can be leveraged into an economic boom.” (0-1 employees/sole trader, Construction, London)

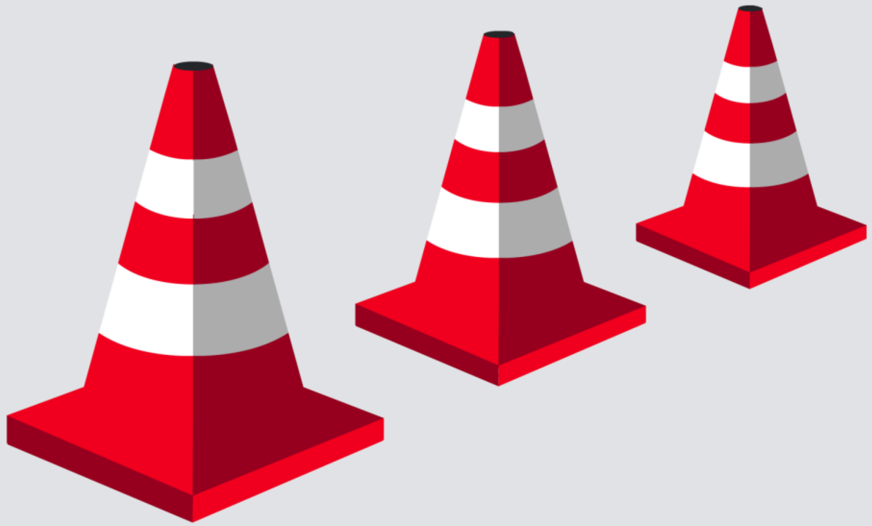
“Focus on digital skills and technology from school onwards. Pupils spending too much time on learning tasks that are now automated or done by AI/machines. Need to focus on how they use these tools to create next generation of opportunities.” (250+, Financial Services, London)

“Focus on green/net zero at both industrial and domestic levels. Eg support building new skills and business models focused on renewable energies. Identify why people are out of work and provide measures to increase ability/access to work. Get in front of AI/tech replacing some jobs with reskilling opportunities esp in tech - start at school level.” (2-9, Consulting Services, South East England)



Second, consensus was that the two areas which require the most government investment are infrastructure and housing in order to foster a climate of growth:

"Get the UK building again. The lack of ongoing investment in roads/rail/sea etc is hampering growth and adding unnecessary concerns over long term investments. As we rightly move to a greener future, we cannot get past reliance on existing technologies and the Government needs to concentrate on the basics, along with the emerging industries." (250+ employees, Mining Quarrying, East Midlands)



"Remove barriers to growth, improve the infrastructure (road, rail, etc) to improve availability and access to workforce. There is an ENORMOUS workforce which is underused and would work if transport links were easier and if we embraced flexible working - this would enable young parents to get back to work, allow elderly people to work, and allow single parents better access to suitable employment." (2-9 employees, Arts, Entertainment and Recreation, Scotland)

"The Government (including local government) sometimes must fill the gaps in the strategic plan that are not filled by the private sector. Transport infrastructure and operations are the most quoted area for public intervention, but housing will need direct intervention from government. Pump-priming investment in housing and using rents or sales to continue future investment will be necessary if housing targets are going to be met." (50-99 employees, Accommodation and Food Services, London)

Third, firms are also looking for easier access to funding themselves, particularly in areas like R&D and international growth, and for SMEs:

“Grants and investment, particularly at SMEs to support international growth. Lowering complexity around goods and services crossing boarders. Tax breaks for companies trying to grow internationally.” (100-249 employees, Professional, scientific and technical activities, Yorkshire and the Humber)

“Increase access to funding and grants specifically tailored for small and medium-sized enterprises (SMEs). This could include low-interest loans, tax incentives, and grants for innovation and expansion.” (2-9 employees, Construction, East of England)

Fourth, a big sticking point for businesses is also the UK's relationship with the EU. Businesses see the trading relationship as a significant barrier to growth:

"I manufacture clothing in Europe because the UK is prohibitively expensive and not enough skills/access to sustainable materials. The duties and limitations placed by the EU are crippling. We don't have skills in the UK and we have high costs as a nation, so we are punishing small brands who want quality from a transparent/regulated environment (EU). It makes businesses have to import from opaque/low quality/unsustainable countries just to keep costs low." (2-9 employees, Wholesale and Retail Trade (including motor repair), London)

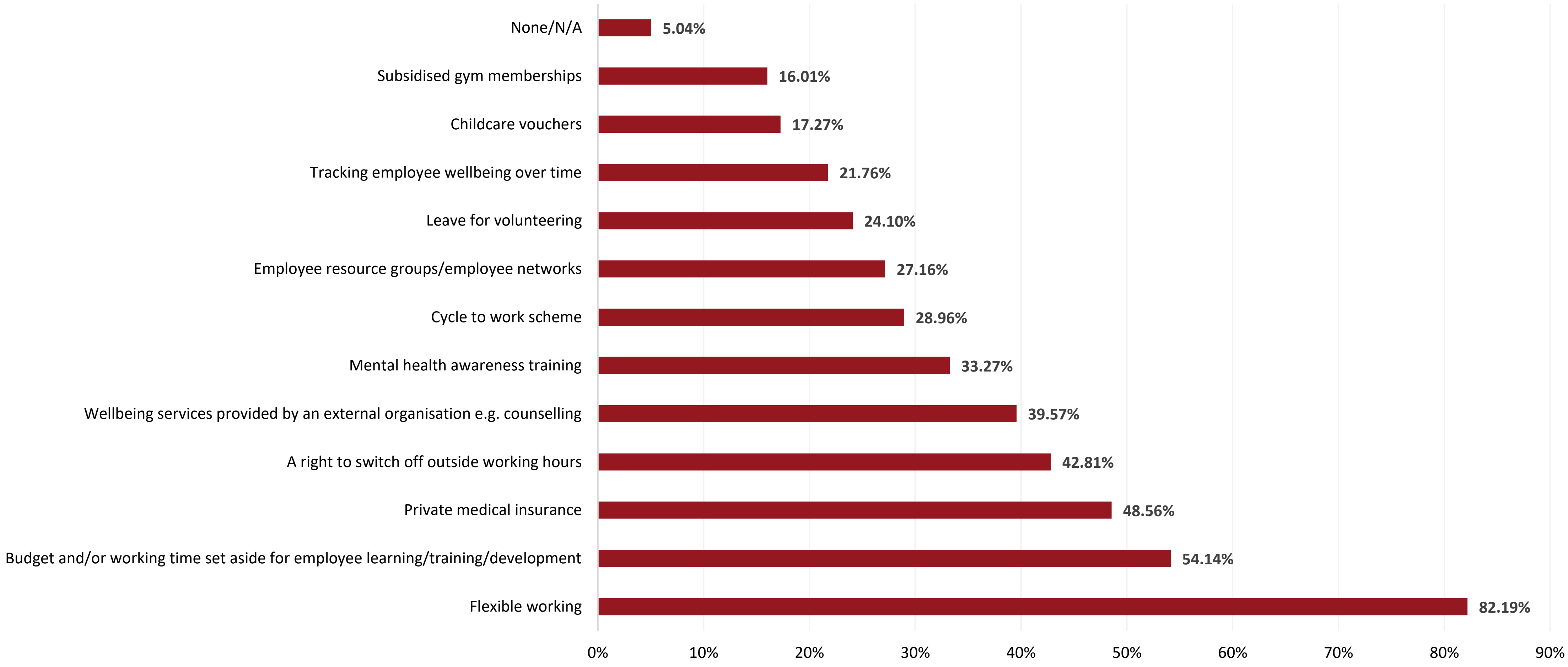
"Remove the burden of paperwork from exporters/imported to/from the EU." (250+ employees, Education, West Midlands)

The theme of removing bureaucracy was a common one throughout the comments. Businesses feel hampered by red tape, which increases costs and reduces competitiveness for UK firms. Respondents therefore want the Industrial Strategy to address the level of bureaucratic burden to increase the attractiveness of the UK as a market for global counterparts:

"Government should do much less - focus on primary legislation to remove barriers to success/growth and allow the business/industrial sector to drive its own agenda. Particular focus should be on making the UK a competitive place to do business by cutting regulation." (10-49 employees, Financial Services, South East England)

"If the Government want to kick start business then make it attractive for business owners. Bureaucracy is now in my humble opinion at an insanely unacceptable level and it makes UK Business uncompetitive." (10-49 employees, Wholesale and Retail Trade (including motor repair), South East England)

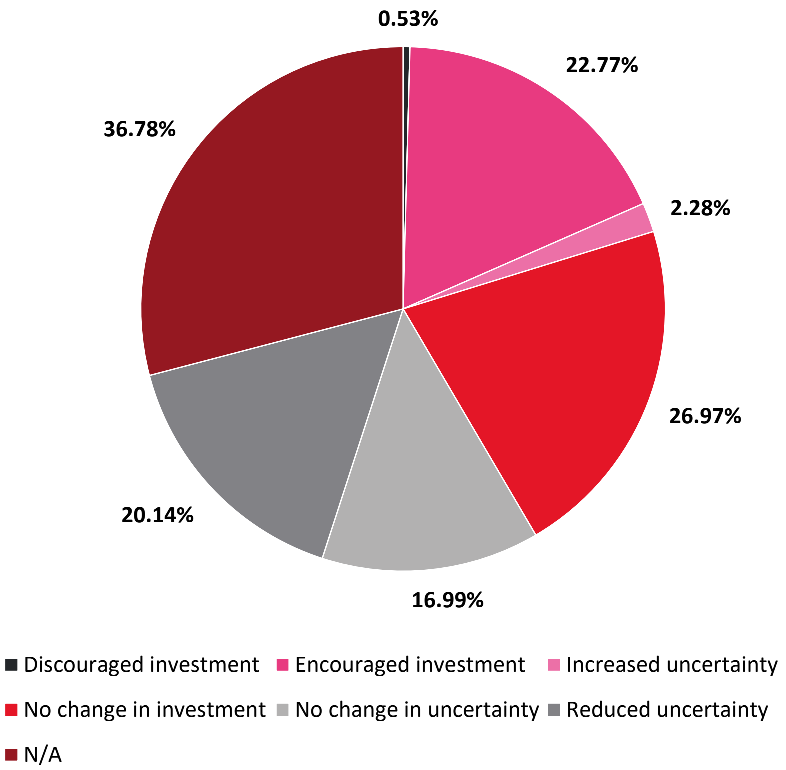
Which of the following policies, if any, are in place at your primary organisation in order to support the wellbeing of employees?



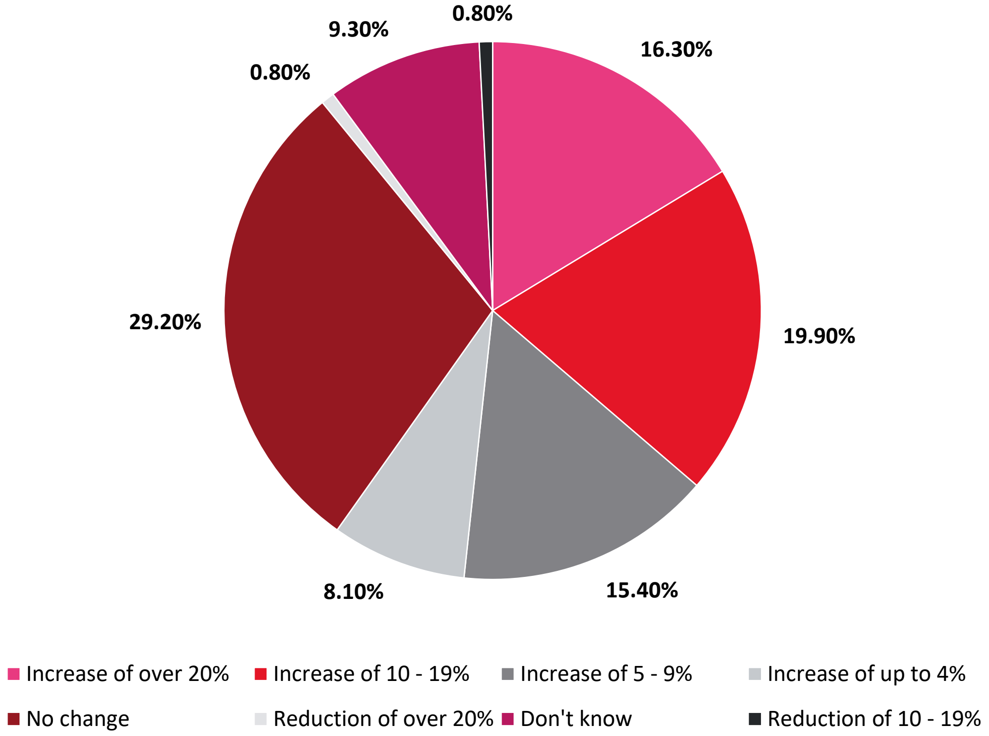
Full Capital Expensing

The government is interested in understanding the impact of full expensing on business investment. And the IoD are pressing the government to expand it to cover leased assets.

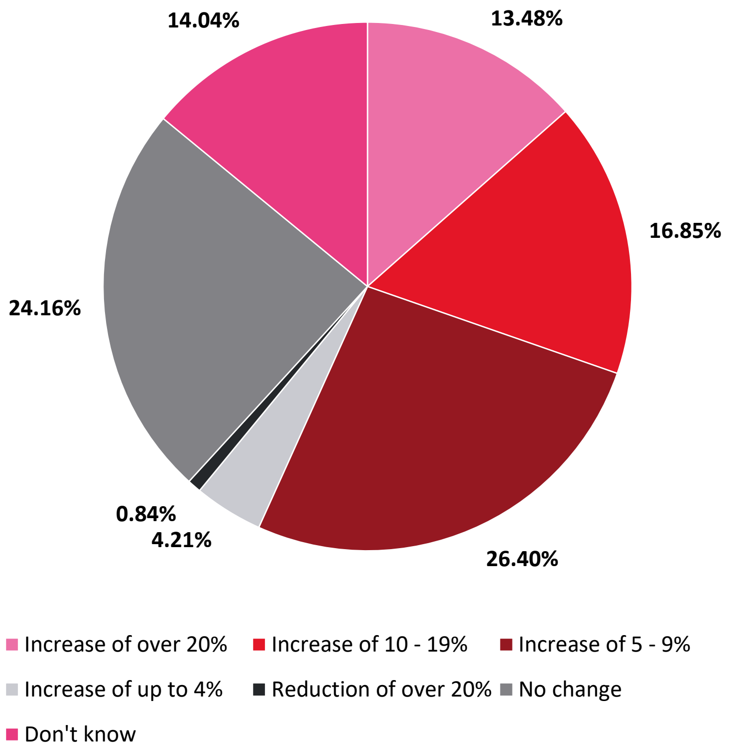
Temporary Full Expensing was announced in March 2023 and was originally due to end in March 2026. This capital allowance has now been made permanent. Relative to the Temporary Full Expensing regime, how has Permanent Full Expensing affected uncertainty and investment in assets with longer investment cycles in your business? Please tick all that apply.



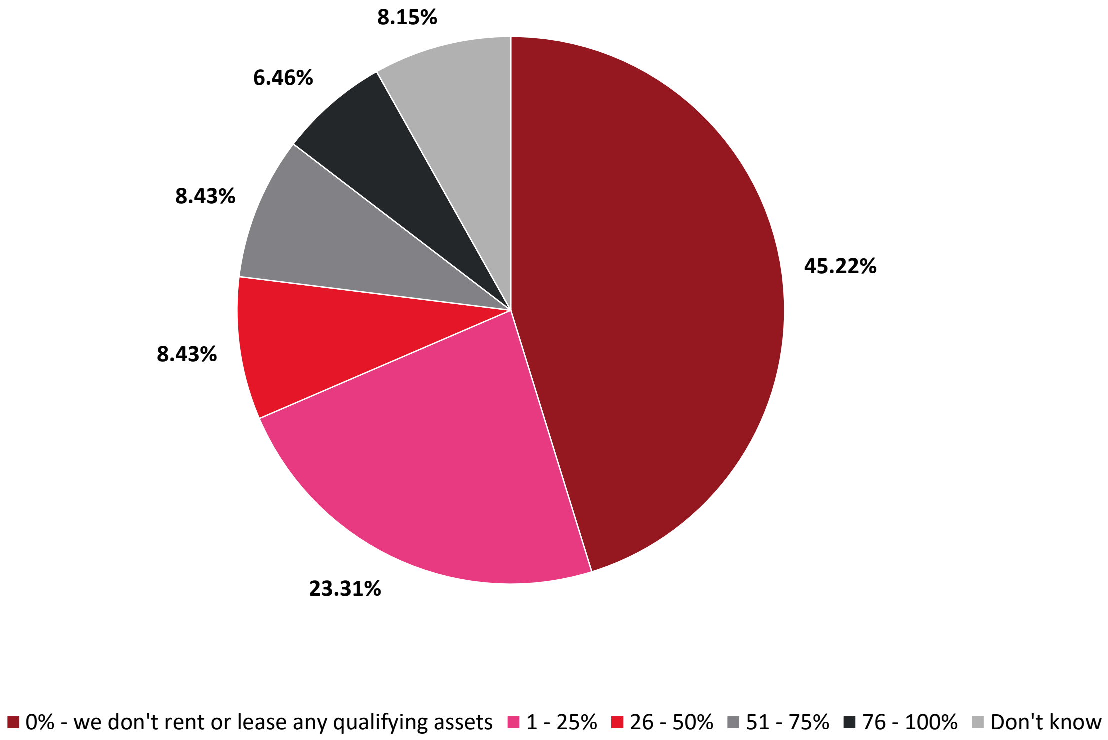
How has Full Expensing impacted your level of planned investment over the next two years relative to the Temporary Full Expensing system? (356 respondents)



How has Full Expensing impacted your level of planned investment over the longer term (i.e. investment plans beyond the next two years) relative to the Temporary Full Expensing system? (356 respondents)



Currently, assets qualify for Full Expensing if they fit into certain categories (plant, machinery, software) and you buy them outright. What proportion of these categories of assets do you rent or lease from others? (356 respondents)



Capital Expensing

On the impact of making the Full expensing regime permanent, there is a relatively even split between those for whom the policy has had no impact, and those for whom it has encouraged investment and reduced uncertainty.

The further comments reflect this – for some, permanent Full Expensing provides welcome security for investment:

"As a Director of a company investing over £150 million in infrastructure this is a major source of comfort that the investment is welcome.
It ensures investors feel comfortable investing in the UK." (250+ employees, Information and Communication, South West England)

One comment argued that the scheme would unlock cashflow, but it first needs to be extended to avoid limitations on the amount of time in which a company can amend a claim:

"Our company is unable to claim this relief because there is a time limit of two years to amend a claim. Most of our projects are more than two years and our actual expenditure will vary throughout the duration of the project as it develops and changes. We have therefore recommended HMT amend the policy to allow for long-term projects to be claimed without incurring penalties from HMRC that could compromise our low-risk status. This would allow us to claim 100% relief in the first year and unlock considerable cash flow." (250+ employees, Transportation and Storage, London)

Others feel the scheme is not relevant to their business, and there were a significant minority who were not aware of the policy.

"This is fine for manufacturing, but is no use to cloud based tech firms, who are the future of the UK economy." (2-9 employees, Financial Services, London)

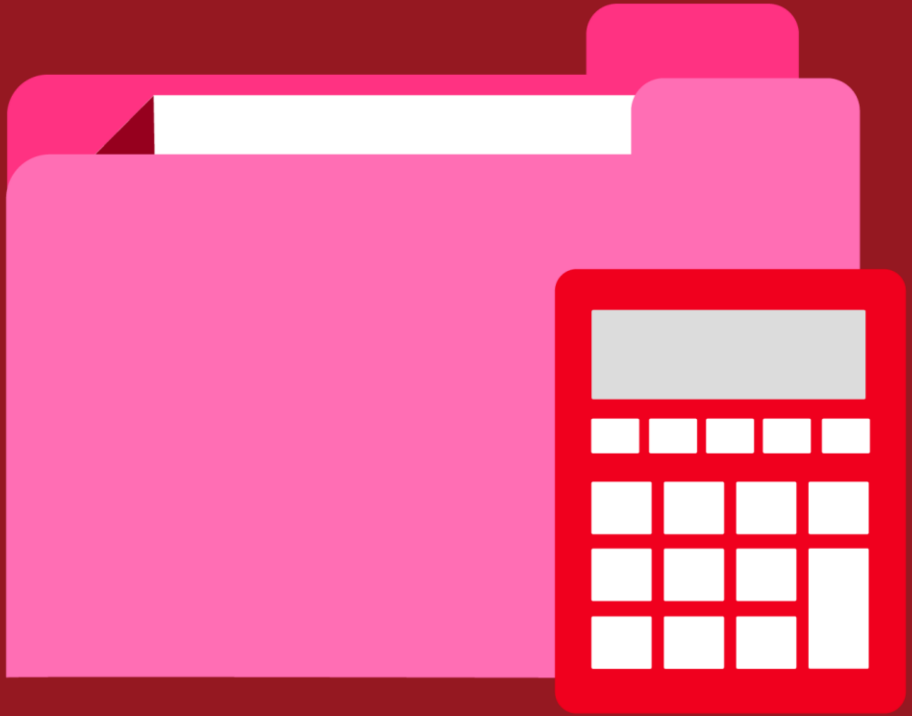
"My business is not capital intensive. Doesn't need machinery. So this doesn't affect us." (2-9 employees, Information and Communication, London)

"This is irrelevant until we have much needed investment and taxable profit." (2-9 employees, Green Tech, South England)

Similarly, there were some who felt that Full Expensing is not relevant for SMEs:

"Reliefs like this are fine for companies who have a lot of capex. However, the money would be better spent reducing corporation tax so encouraging profitable companies regardless of how they invest." (100 – 249 employees, Wholesale and Retail Trade (including motor repair), Yorkshire and the Humber)

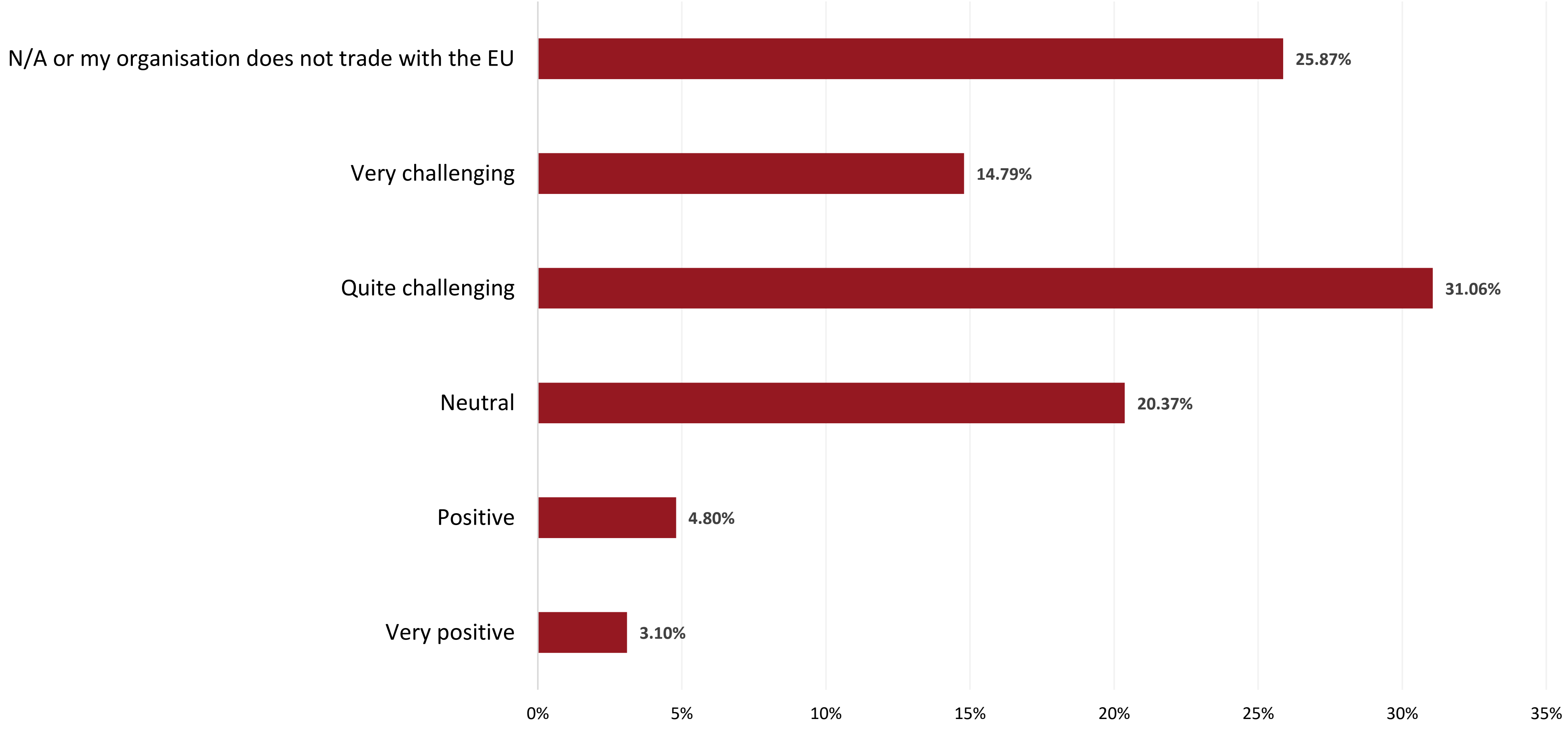
"The tax regime is skewed towards helping profitable companies to invest in equipment and R&D. Most of these companies will invest anyway, provided the investment generates a return. The issue is with companies (mainly SMEs and start-ups) which are NOT profitable, but need support to invest. Tax relief when a company is loss-making and not paying corporation tax anyway, is fairly pointless. What loss-making, early stage companies need is low interest rate loans and grants for capital expenditure and R&D." (10-49 employees, Manufacturing, Scotland)



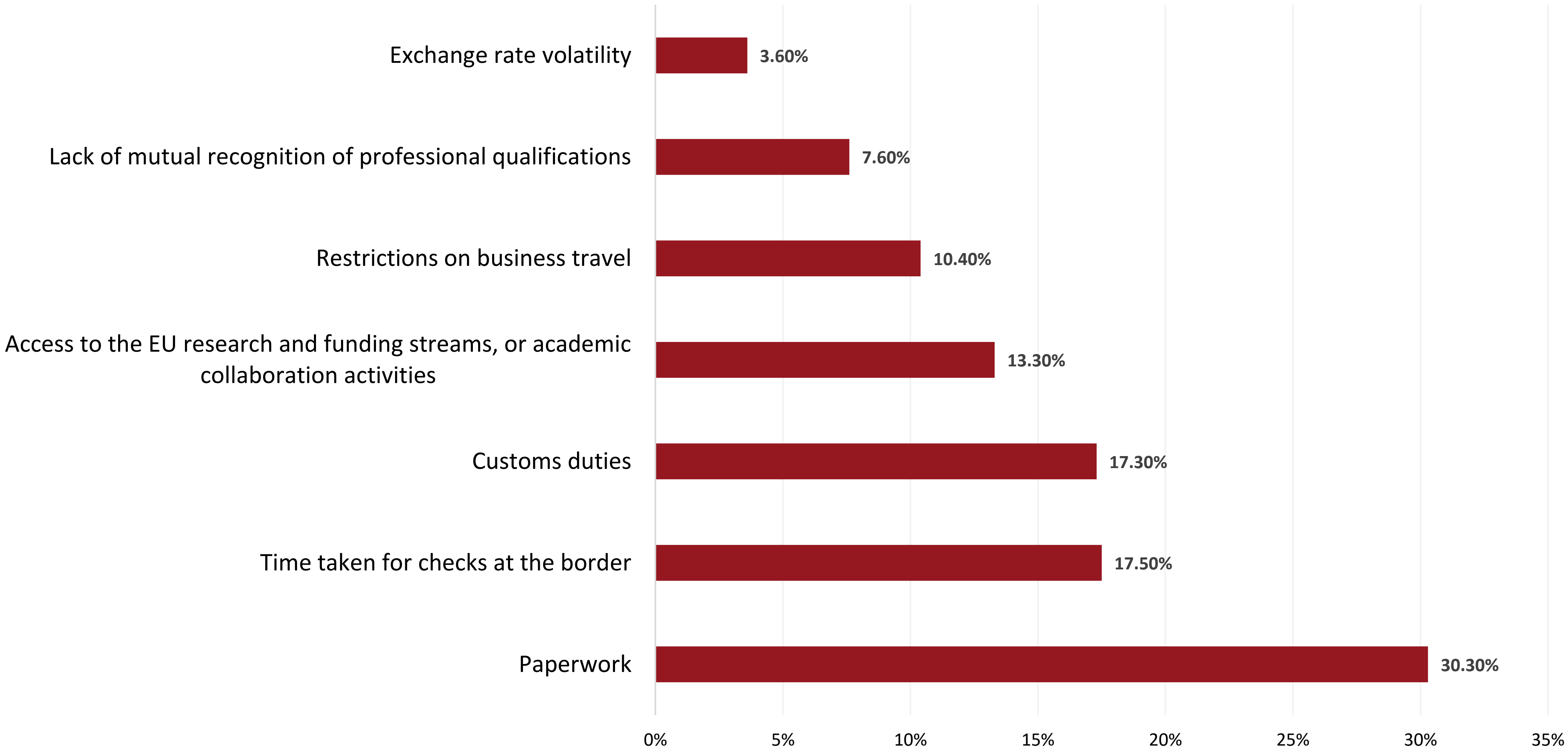
Exporting to the EU and beyond

The Prime Minister previously set out plans to improve the UK's trading relationship with the EU, including a veterinary agreement, a mutual recognition agreement on professional qualifications and help for touring artists. We wanted to ask for member feedback on how well they feel this strategy will improve the export environment. The data will be written up and sent to the government to influence their trade policy making.

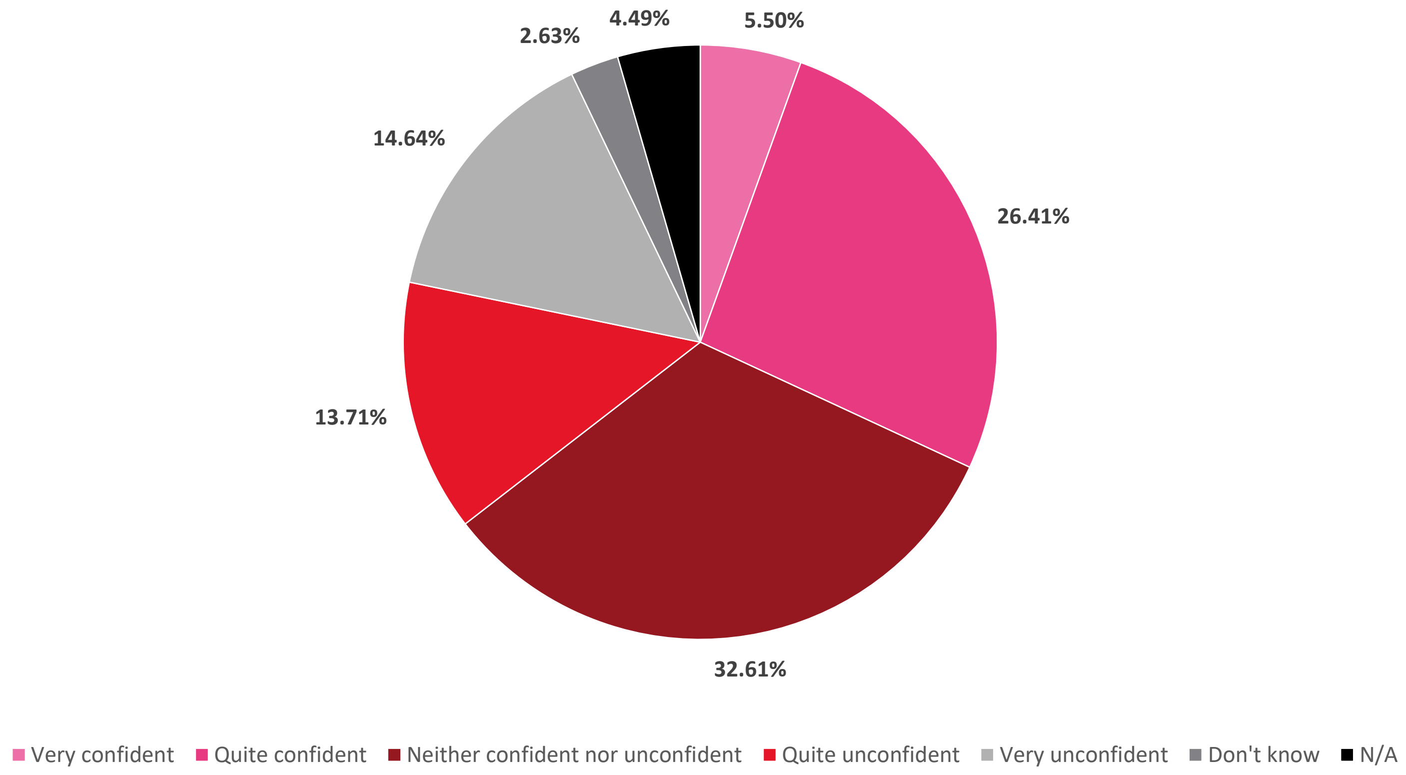
What is your organisation's experience of the UK's trading relationship with the EU?



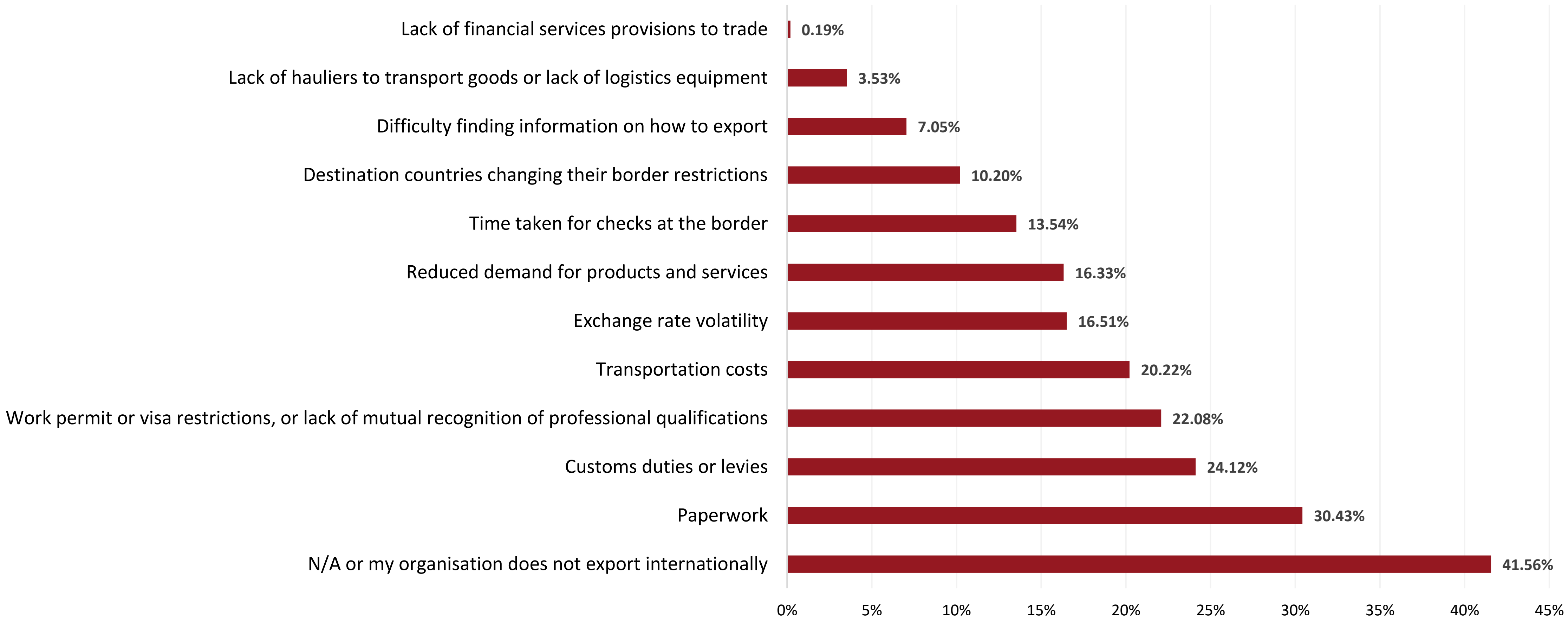
You said you are finding the UK's trading relationship with the EU challenging. Of the following, which is the MOST challenging to your business?



The government has said the UK will not re-enter the EU customs union. However, they want to negotiate individual agreements with the EU such as veterinary agreement, a mutual recognition agreement on professional qualifications and help for touring artists. How confident are you that this strategy will improve the UK's relationship with the EU?



Which of the following barriers to exporting internationally does your primary organisation face? Please select all that apply.



Exports

Anecdotal evidence in response to our research conducted on the UK's trading relationship with the EU shows the broad challenges businesses are grappling with.

The data shows 61% of businesses find the UK's trading relationship with the EU challenging, and it was predominantly those amongst this group that submitted further comments. **The primary challenges cited are, overwhelmingly, paperwork and bureaucracy:**

"On a general basis, EU customs opaqueness has caused many problems for individuals in my family just getting spare parts. Both from cost and unexplained delays perspective."
(2-9 employees, Financial Services, South East England)

"We don't export agri-food products directly but advise firms that do, and here, SPS-related checks in particular are costly, especially if an "unlucky load" is subject to the full range of regulatory checks." (10-49 employees, Agriculture, Forestry and Fishing, East Midlands)

"Windsor Framework has also caused massive disruption, huge amounts of work, increased costs significantly for both the UK and our Ireland customers for zero benefit to anyone least of all patients where they will undoubtedly experience over time a reduction in medicines available to them. Environmentally, the waste of packaging materials generated by the ridiculous requirement for a 'UK Only' stamp on cartons is scandalous at a time when we are all being pressed into Net Zero."
(10-49 employees, Wholesale and Retail Trade (including motor repair), Wales)

Other common challenges raised included competitiveness, EU state by state interpretation of changes in regulation, and labour and mobility changes. For example, many firms feel squeezed out from opportunities in the EU as a result of the regulatory burden. **This is made more complicated by the fact that different states within the EU impose a different interpretation of the rules:**

"Individual agreements are a long and tiresome way of doing things and some industries will be left out. We send engineers to Europe to repair specialist machinery. Each EU country demands different things. The time to get a visa is long, and complicated. However, we know the UK turns a blind eye to EU companies coming in to do the same. The EU customers we had also have to get involved in supporting our working for them. Some cannot be bothered so we lose that work." (10-49 employees, Construction, North East England)

They also note the difficulty of working between jurisdictions, which has exacerbated skills shortages, and meant some have missed out on opportunities within the EU due to the lack of freedom of movement for business:

“In general, we rely on a mobile workforce to undertake skilled roles across Europe. The visa restrictions are complex, time consuming and difficult to understand. We have had to invest in staff to administer the various schemes and then operate them, which has amounted to quite a significant investment. It would be beneficial to simplify these complex processes and keep the same rules in place.” (250+ employees, Other Services, South West England)

There was also a significant minority who now feel that the government should be focusing more attention on international trade to repair the UK’s international reputation:

“Windsor Framework needs ditching otherwise the TCA is pretty good. We need to concentrate on fast growing and innovative markets such as US and CPTPP, plus the strong partnerships such as with NATO allies, Japan, South Korea etc.” (250+ employees, Manufacturing, South West England)

“We must move on from Brexit and make the UK a competitive place to come and do business from anywhere in the world.” (10-49 employees, Financial Services, South East England)

Economic monitoring: data

The following data contributed to our Director's Economic Confidence Index, which we send directly into the heart of government each month. This month's data showed the highest level our index has recorded since July 2021.

How optimistic or pessimistic are you about your primary organisation over the next 12 months?

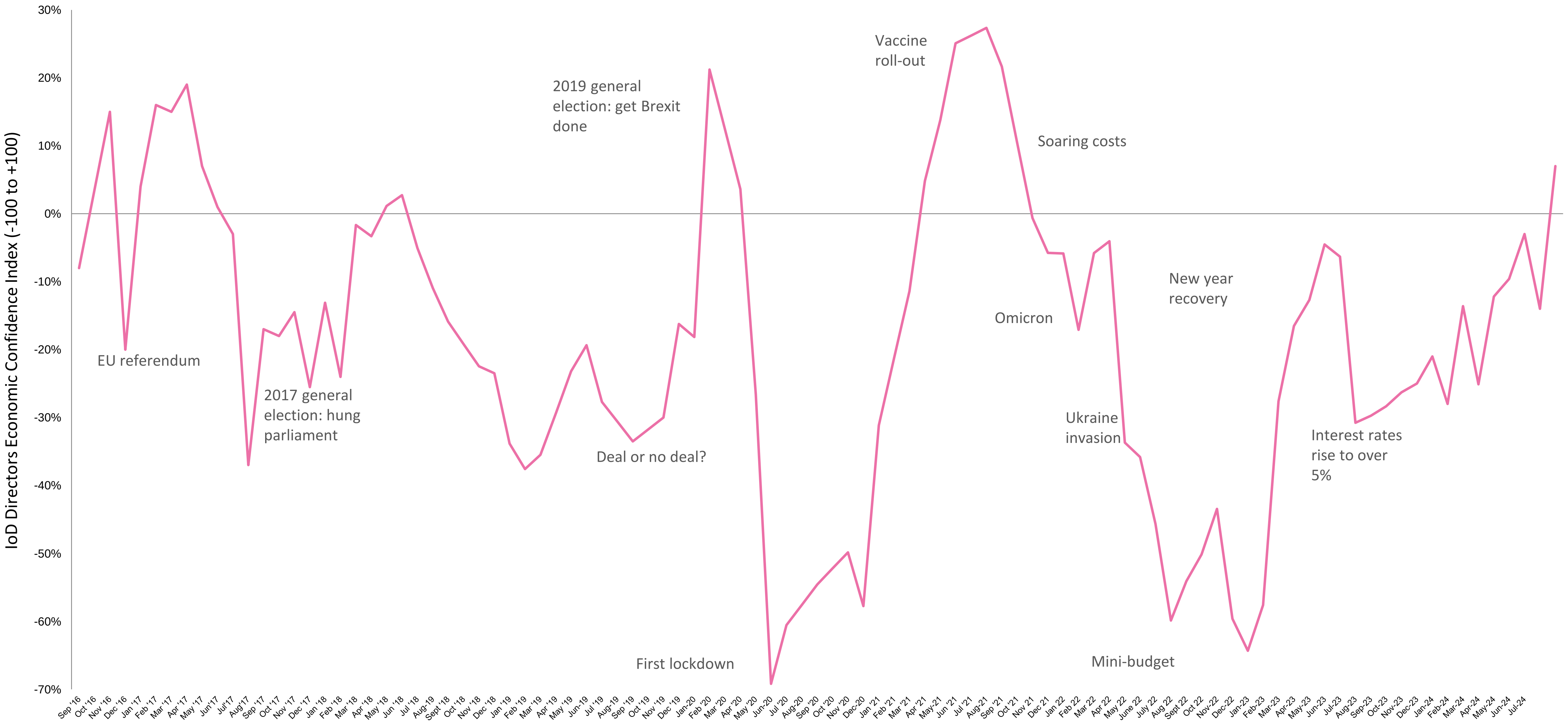
	Wider UK economy	Your (primary) organisation
Very optimistic	2.10%	7.53%
Quite optimistic	34.85%	44.66%
Neither optimistic nor pessimistic	32.92%	30.65%
Quite pessimistic	22.42%	12.26%
Very pessimistic	7.18%	4.38%
Don't know	0.53%	0.53%

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:

	Business investment	Costs	Exports	Headcount	Revenue	Wages
Much higher	4.00%	14.70%	2.50%	2.60%	5.30%	4.90%
Somewhat higher	35.20%	70.20%	18.40%	35.90%	51.70%	58.80%
No change	43.10%	10.90%	33.60%	46.10%	21.90%	30.80%
Somewhat lower	10.20%	3.30%	6.30%	11.20%	16.10%	3.20%
Much lower	5.30%	0.40%	2.60%	3.30%	4.60%	1.10%
Don't know	0.50%	0.20%	1.40%	0.00%	0.40%	0.50%
N/A	1.80%	0.40%	35.20%	0.90%	0.20%	0.70%

Economic monitoring: trends

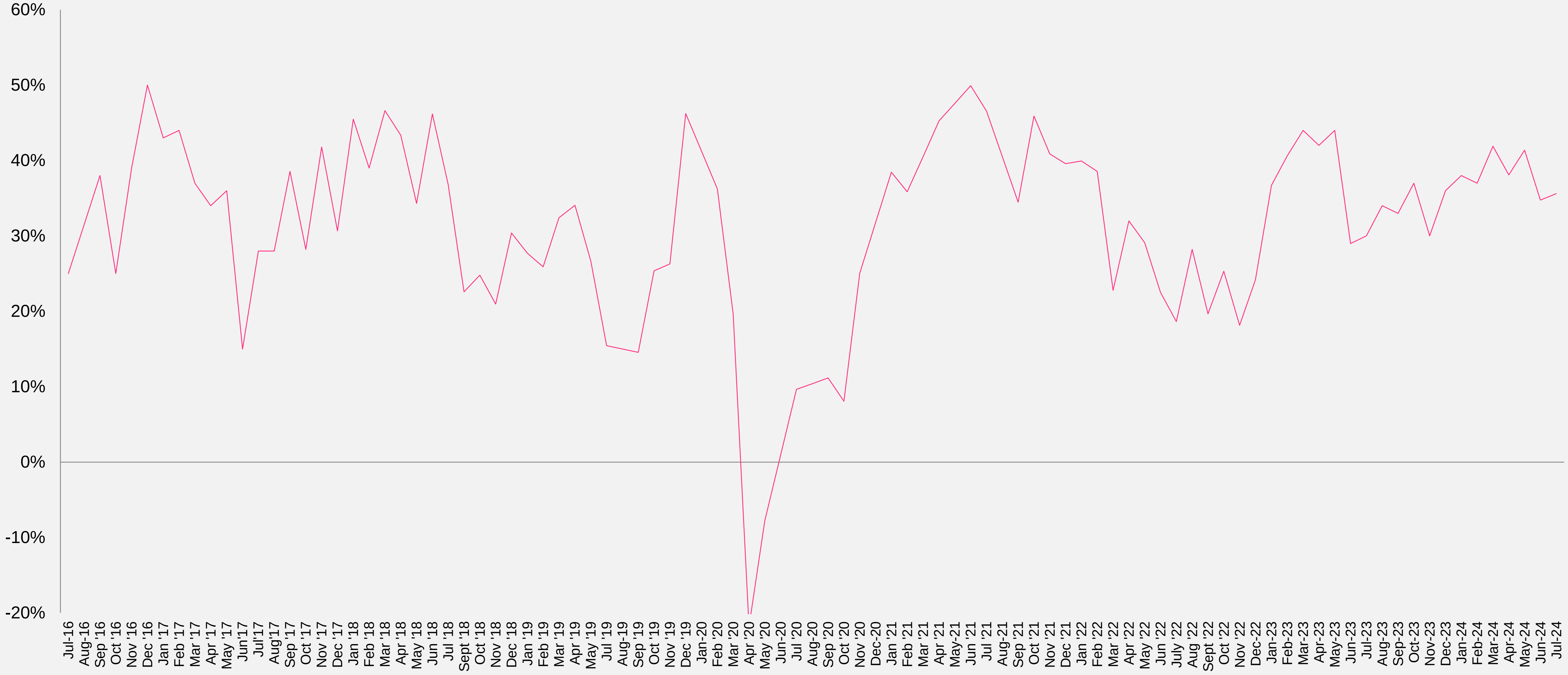
Directors' economic confidence hits three-year high in July



How optimistic are you about the wider UK economy over the next 12 months?
(5-point scale from very optimistic to very pessimistic, net positive %. Latest datapoint: July 2024)

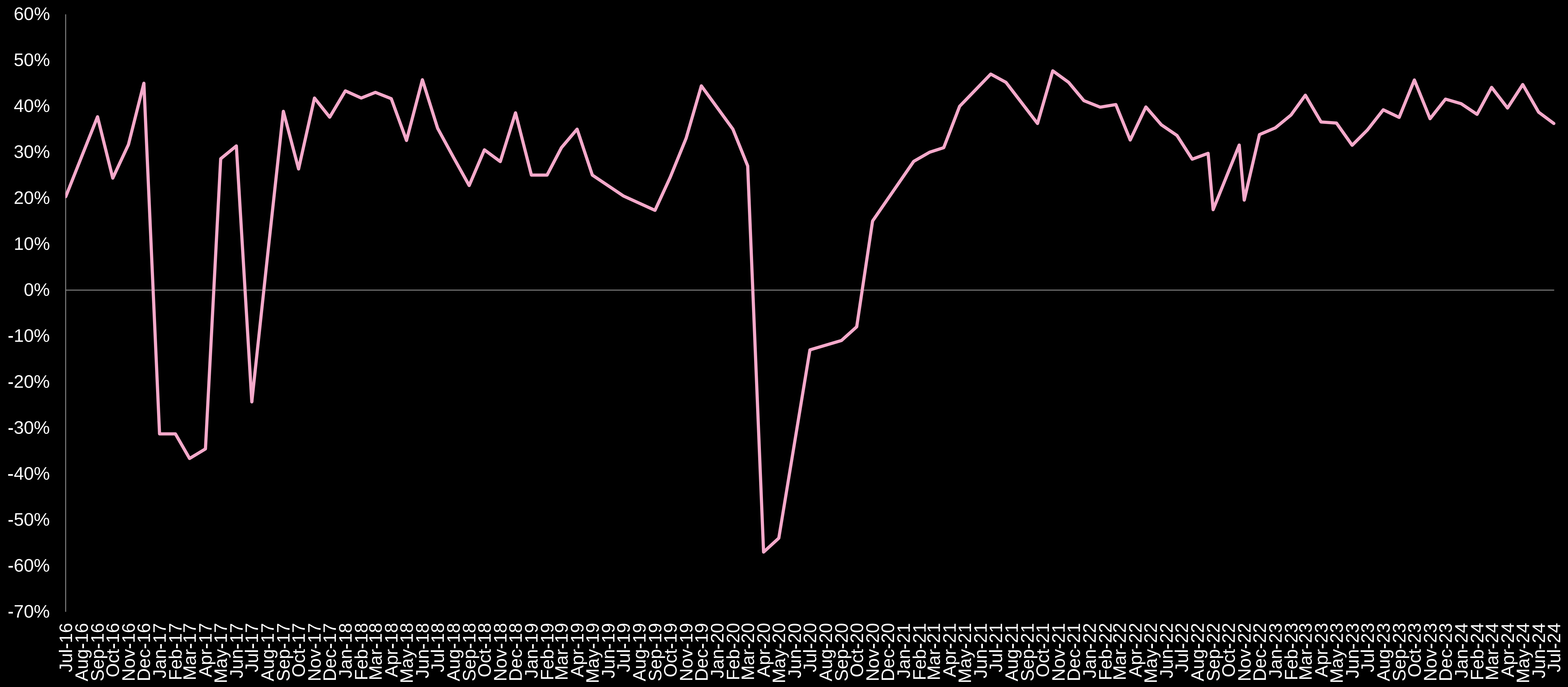
Confidence in own firm's prospects holds steady in July

How optimistic are you about your own organisation over the next 12 months?
5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys



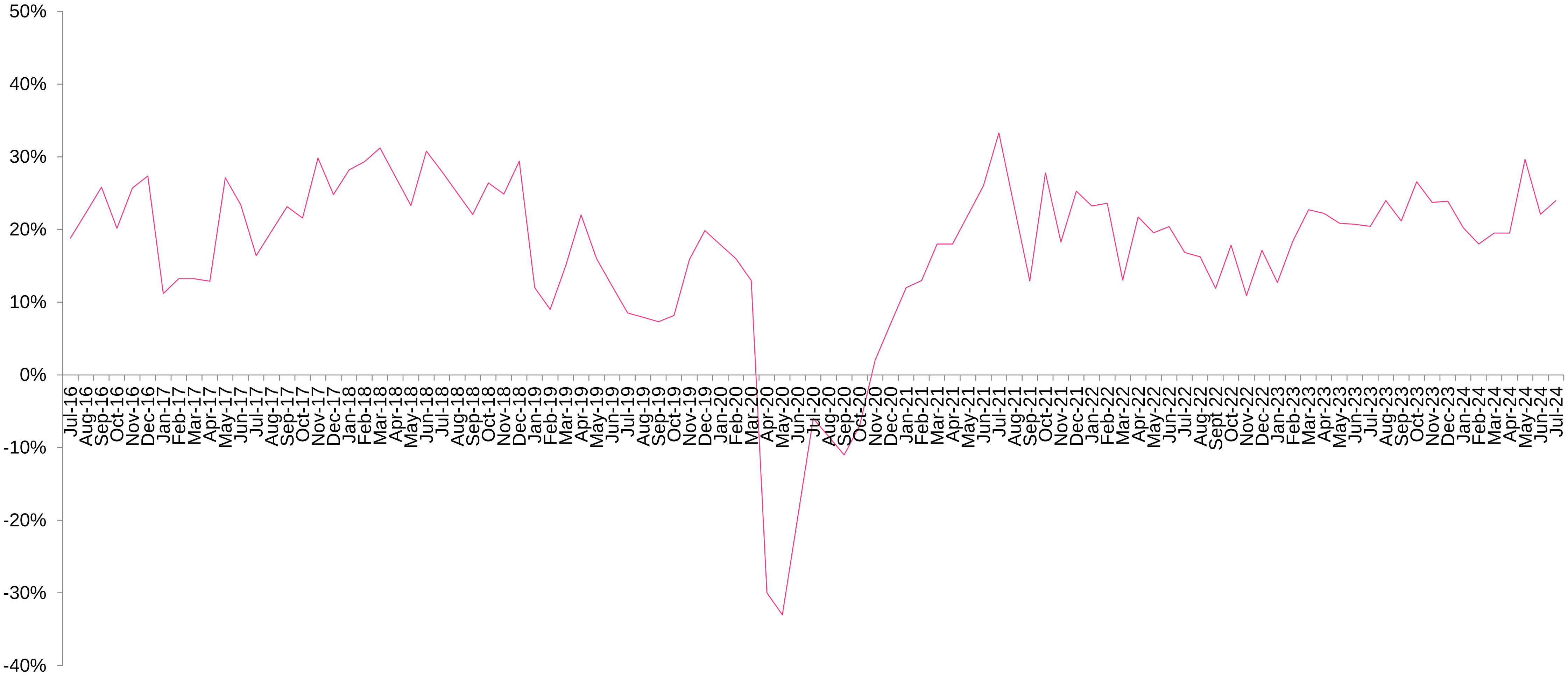
Net revenue expectations decline slightly

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



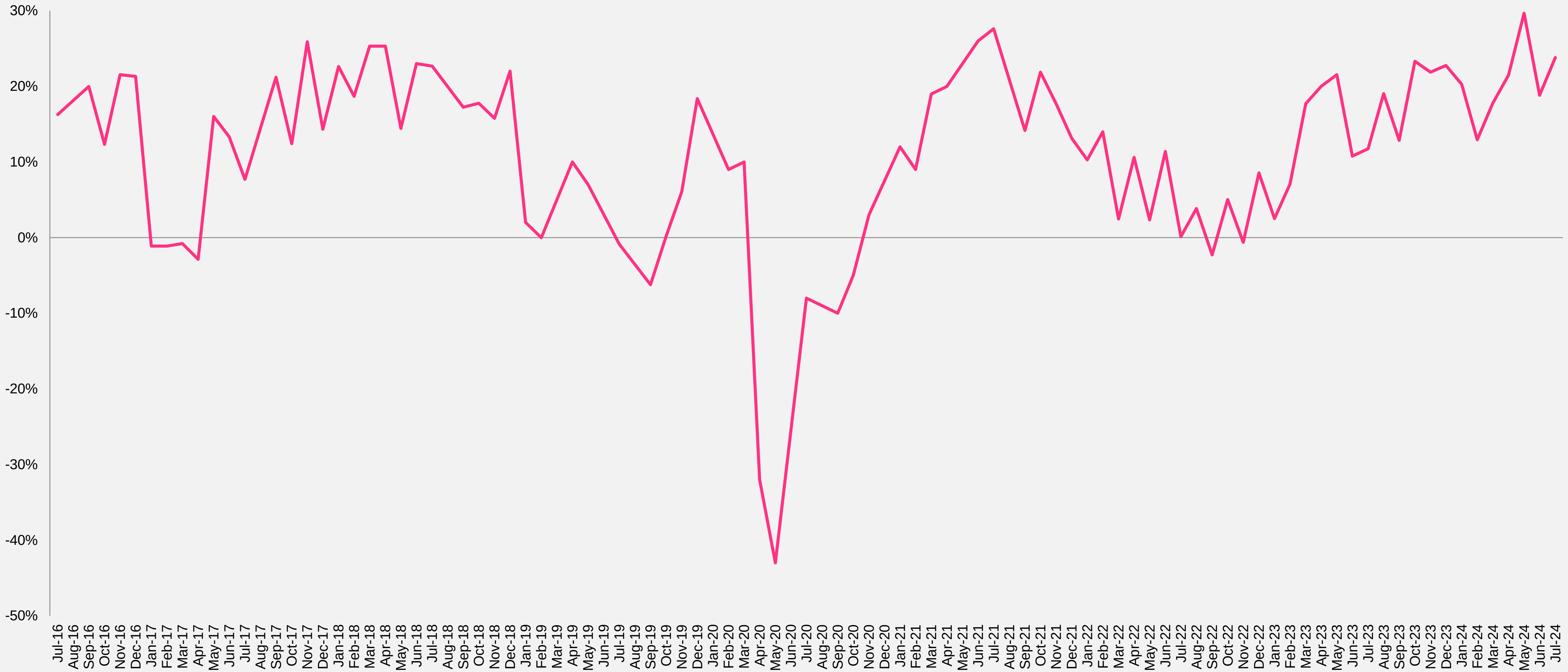
Headcount expectations are on the up in July

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: HEADCOUNT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



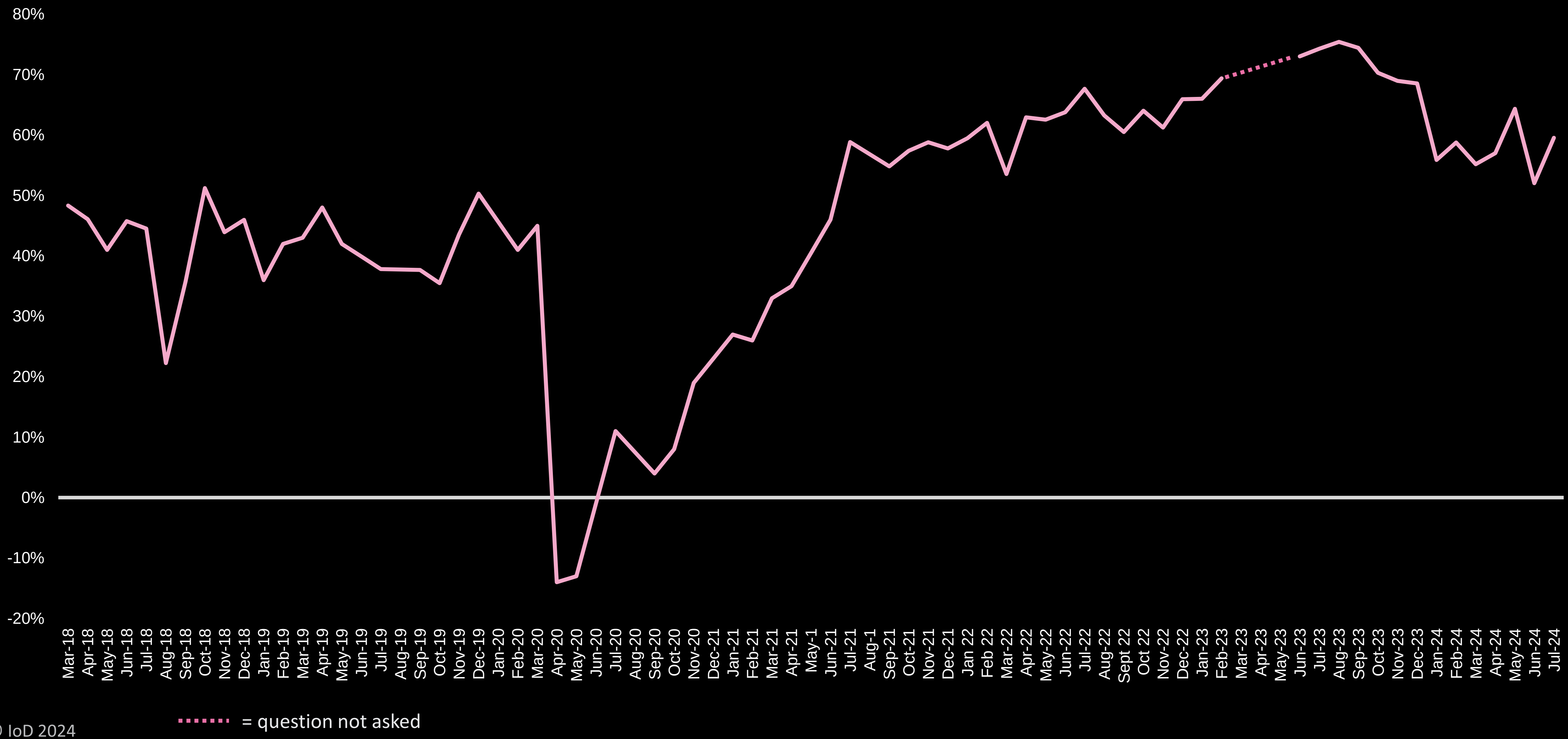
Investment intentions resume steady increase

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



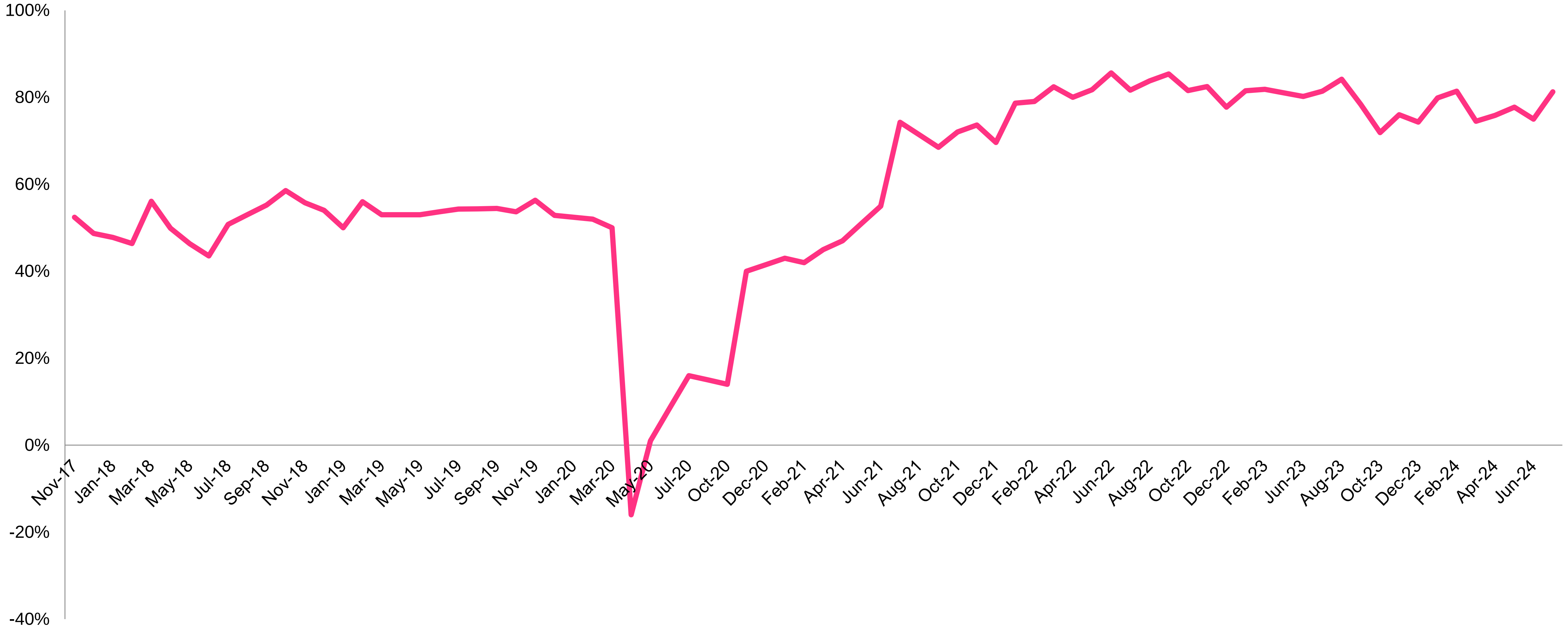
Wage cost pressures rise in July

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: WAGES.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



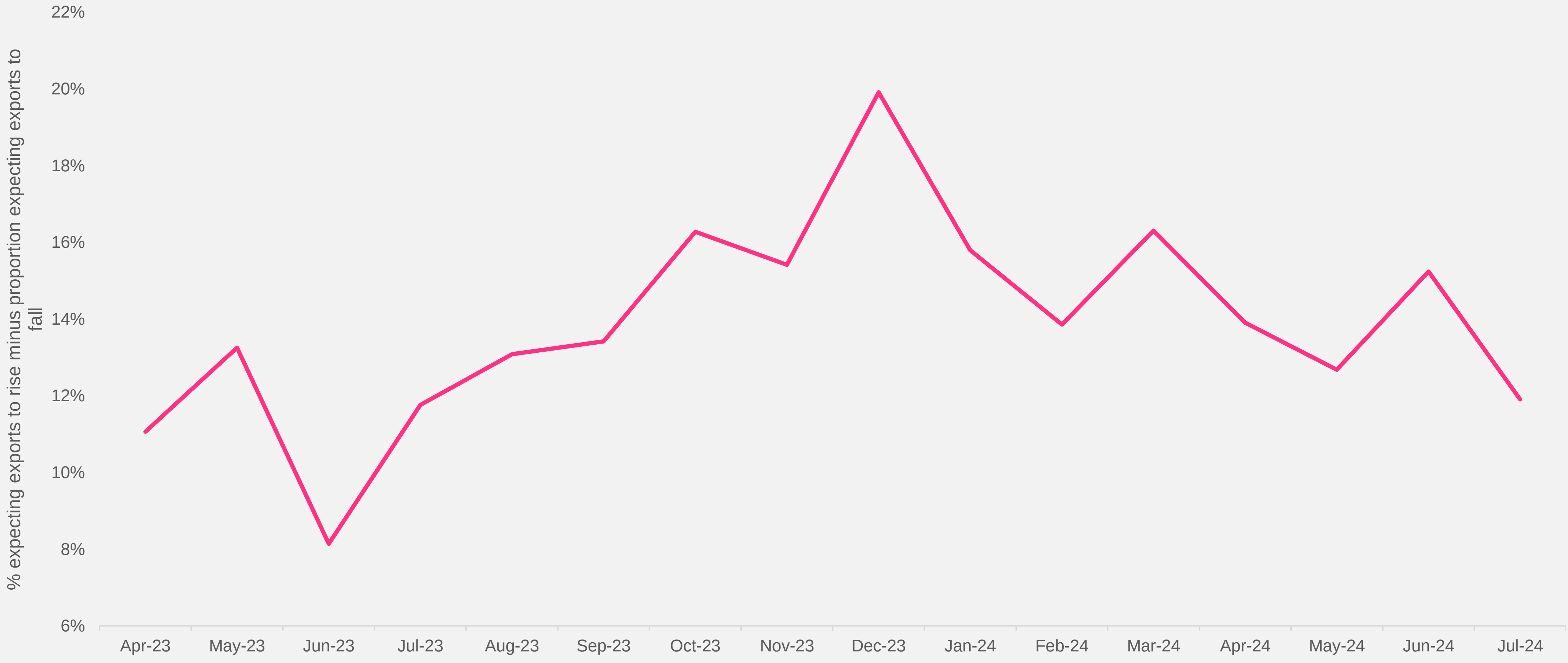
Cost expectations climb in July

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



Export expectations continue steady decline from December 2023

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: EXPORTS
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys. Question first asked in April 2023.



Our purpose

Our Royal Charter sets out a clear purpose

We have a clear vision – The Institute of Directors is the professional institute for responsible directors and leaders.

Our mission is to develop, support and represent skilled, knowledgeable and responsible leaders for the benefit of the economy and society at large.

Integrity and **Enterprise** are our core values.

The objects of the Institute are:

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.