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# BUSINESS REVIEW

Spotlight on issues  
affecting business

- ▶ BUSINESS CONFIDENCE REMAINS HIGH
- ▶ POOR HMRC SERVICES HITTING PRODUCTIVITY
- ▶ LATE PAYMENT REMAINS A "SCOURGE"
- ▶ AI AND DATA SKILLS IN HIGH DEMAND
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APRIL 2024

# BUSINESS REVIEW

## BUSINESS CONFIDENCE REMAINS HIGH

**The latest Lloyds Bank Business Barometer suggests confidence among the business community remains strong with firms continuing to look forward to a promising year ahead.**

Data from the bank's March survey revealed a headline business confidence figure of +42%; this was unchanged from the previous month leaving the overall confidence level significantly above the survey's long-term average of +28%.

The Barometer considers two metrics to measure sentiment – firms' views of their own trading prospects and their optimism for the wider economy – and both of these remained at historically high levels in March. In terms of economic optimism, the net balance rose by one-percentage point to +35%, with 56% of businesses feeling more positive about the economy compared to 21% who felt less positive; and the net balance for firms' trading prospects remained unchanged at +49%, the second-highest level since 2017.

Commenting on the findings, the commercial bank's Senior Economist Hann-Ju Ho said, "This month's figures maintain the recent improvement bringing a positive end to the first quarter of the year. Overall, the Barometer across the quarter suggests that we could begin to see more optimistic economic growth in 2024 than seen in recent years, although medium-term challenges remain."

## POOR HMRC SERVICES HITTING PRODUCTIVITY

**Research by the Association of Chartered Certified Accountants (ACCA) suggests the productivity and efficiency of SMEs is suffering as a result of poor HMRC service standards.**

ACCA has previously outlined its concerns about the state of HMRC services and its latest research suggests service levels continue to decline. The survey found that two thirds of the organisation's members believe poor HMRC services are having a detrimental impact on their clients; this represents a 14% increase in negative sentiment compared to ACCA's previous poll conducted in October 2023.

Productivity and efficiency were highlighted as the two main areas that are suffering as a result of low service standards. In addition, respondents noted that small businesses were the ones bearing the brunt of this issue.

ACCA UK's Head of Strategic and Technical Engagement Glenn Collins said, "Our members have repeatedly raised that dealing with HMRC is the number one issue they face in their daily work. Repeatedly we hear of delays around basic requests such as VAT registration numbers, and a severe lack of skilled staff to handle more complex enquiries. ACCA will continue to call for the Chancellor to properly fund HMRC and raise the levels of service standards."

## LATE PAYMENT REMAINS A "SCOURGE"

**A recent survey conducted by the Federation of Small Businesses (FSB) shows that the problem of late payments continues to hamper the small business community.**

Data from the FSB's latest Small Business Index shows that the proportion of small firms experiencing late payments rose from 61% in the third quarter of last year to 66% in the final quarter. In addition, the proportion of firms whose late payments worsened over the quarter increased from 28% in quarter three to 35% in quarter four.

The FSB has long campaigned on this issue and has again highlighted the problems late payment creates for small business owners. The business group is also calling on large organisations to ensure they pay all invoices in a prompt and timely manner.

FSB National Chair Martin McTague said, "Late payment is a scourge, and one that shouldn't exist – there's no excuse, with modern business banking methods, for large companies to hold onto money due to small suppliers. Overdue invoices cause uncountable amounts of stress and harm to small business owners, leading to sleepless nights and lost productivity. Large companies should make their payment performance a board-level issue, and include it in annual reports, to improve accountability and transparency."

### QUIRKY QUOTE:

*"Leadership is your ability to hide your panic from others"*

— Lao Tzu

## AI AND DATA SKILLS IN HIGH DEMAND

**New research commissioned by Corndel suggests artificial intelligence (AI) and data skills will be the main technical skills priorities for employers over the next 12 months.**

The survey of UK-based HR leaders found that proactive recruitment strategies will place a significant focus on these areas as the digital transformation continues to sweep across the nation's workplaces. The biggest technical skills recruitment drive is expected to be for AI/Machine Learning engineers, with 61% of respondents citing these as skills their organisations will prioritise in 2024.

Other technical skills areas HR decision-makers believe will feature high on this year's recruitment agenda include: cybersecurity (60%), data science (59%), business analysis (56%) and software engineering (56%).

The research also asked UK employees about their experiences of technology and workplace training and found that less than one in ten had received any training on AI tools in the past 12 months. In addition, HR leaders said they believe almost a third of employees have little or no understanding of how to use AI or handle data in their roles. *Corndel* believes this shows that businesses need to upskill their existing employees, as well as recruit new skills, if they are to equip their workforces for an AI-driven future.

## HAPPY BIRTHDAY MINIMUM WAGE

**Analysis conducted by the Resolution Foundation suggests the introduction of the minimum wage has been the UK's single most successful economic policy in a generation.**

The minimum wage was introduced in April 1999 and in a report entitled '*Happy 25th birthday to the minimum wage*' the Resolution Foundation examines its impact on the country's low-paid workers over the past quarter of a century. And the authors conclude that the policy has undoubtedly been a success in terms of tackling wage inequality.

Its introduction came against a backdrop of rising inequality, with hourly pay growth between 1980 and 1998 twice as fast for the UK's highest earners as it was for the lowest earners. Since 1999, however, this trend has reversed, with pay growth among the lowest earners five times that seen by the highest earners.

Looking ahead, the Resolution Foundation believes that, with its current remit ending this year, now is the time to discuss the future of the minimum wage and low pay more widely. The think tank is urging politicians to reflect on why the minimum wage has been such a success and whether this approach could be broadened to tackle some of the country's other low pay challenges.

## OTHER NEWS

### THE RISE OF ONLINE INFLUENCERS

Research conducted by small business lender *Iwoca* suggests a growing number of small firms are now using social media influencers as part of their sales and marketing strategies. In total, the study found that around one in eight SME owners had used online influencers, with almost nine out of ten of those firms saying it had a positive impact on their business.

### NEW HMRC GUIDANCE 'COULD BE CLEARER'

The Institute of Chartered Accountants in England and Wales (ICAEW) has identified some potential areas of improvement for HMRC's guidance on the new research and development (R&D) tax relief rules. ICAEW noted that, while the draft guidance is clearer than before, further clarity would be helpful on some of the new points, particularly in relation to the implications of an arrangement between the customer and the contractor that is governed by multiple contracts (signed on different dates).

### SMALL FIRMS WORRIED ABOUT BANK CLOSURES

A survey of 1,000 SME leaders conducted by *BusinessComparison* has found that an overwhelming majority of UK small firms are concerned about the loss of local bank branches. Three-quarters of respondents believed there were fewer branches near their business now than was the case ten years ago, while almost nine out of ten admitted to being worried about closures in their area.



## EMPLOYERS LOOKING TO REDUCE FLEXIBLE WORKING

**Research conducted by independent consultancy Barnett Waddingham suggests employers are gearing up to reduce the level of flexibility currently afforded to their workers.**

The survey of over 300 HR Directors and C-suite professionals found that just over two out of every five employers plan to reduce flexible working practices in some way over the course of this year. For instance, around one in six respondents said their organisations are looking to offer less flexibility in relation to where their staff are allowed to work, while just over one in seven plan to provide less flexibility in terms of working hours.

This desire to reduce flexibility to working arrangements could clearly put employers at odds with their workers' wishes, as research studies have regularly shown that employees increasingly value flexible working practices. Achieving a shift in work

arrangements will therefore undoubtedly require employers to engage in thoughtful and constructive dialogue with their employees.

Commenting on the survey, Julia Turney, a partner at Barnett Waddingham, said, *"The findings from this research shed light on the complex situation employers are facing with flexible working. From speaking with business leaders, it's clear that employers are keen to realise certain benefits of office working; whether that's improving productivity, creativity and culture or simply to justify spending on training."*

She continued, *"For most employees however, flexibility is no longer seen as a 'perk', but a fundamental consideration for their career. And whilst it's natural for businesses to seek ways to optimise productivity, it's equally vital to acknowledge that the workforce's expectation have shifted significantly, and any changes could impact morale or even see resignations."*

## INVESTMENT IN EMPLOYEE BENEFITS SET TO RISE

**A survey commissioned by GRiD, the industry body for the group risk sector, has found that a significant proportion of employers are looking to increase the amount of investment directed at supporting staff.**

Data from the poll of 500 UK-based HR decision-makers found that more than four in ten employers intend to increase their level of investment to provide support for staff during the next 12 months. The research also suggests more staff are set to benefit from workplace support, with a similar proportion of respondents saying their organisations are looking to extend employee benefits to a greater proportion of their workforce.

Katharine Moxham, a spokesperson for GRiD, said, *"Based on these findings, the landscape for employee support is looking positive. We would, however, encourage employers to discuss their approach with experts, both providers and intermediaries, to keep abreast of developments in this fast-changing industry to ensure that the support they offer is both competitive and appropriate."*



**All details are correct at the time of writing (8 April 2024)**

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