Prismatic Wealth Limited, Prismatic House,
26 Falcon Court, Preston Farm Business Park,
Stockton on Tees, TS18 3TX

Tel: 01642 661600
Email: enquiries@prismaticwealth.co.uk
Web: www.prismaticwealth.co.uk

BUSINESS REVIEW

Spotlight on issues affecting business



- BUSINESS OPTIMISM DIPS
- APPRENTICESHIP REFORMS UNVEILED
- COVID SUPPORT GRANTS EVALUATION STUDY
- YOUNG BRITS WANT TO WORK FOR THEMSELVES
- EMPLOYEES' DESIRE FOR A FOUR-DAY WEEK
- OTHER NEWS

OCTOBER 2024

BUSINESS REVIEW

BUSINESS OPTIMISM DIPS

Two recently released surveys both revealed a decline in business confidence over the last month as concerns about likely tax increases and the general economic outlook weighed on sentiment.

The headline confidence figure from the latest Lloyds Bank Business Barometer, for instance, fell to +47% in September, a 3-percentage-point drop from the previous month and the lowest level recorded for three months. Despite the dip, however, confidence does still remain significantly above the Barometer's long-term average of +29%.

Another survey published early this month, though, reported an even sharper fall in sentiment, with the Institute of Directors (IoD) Economic Confidence Index declining by 26 percentage points across the month. This left the Index at -38 in September, its lowest level since December 2022.

The IoD did note, however, that a number of imminent policy announcements could *'foster a more supportive environment for growth and investment and underpin an improvement in confidence.'* In particular, the next few weeks are expected to see more detail emerge on the government's industrial strategy, its business tax roadmap, and an update to the fiscal rules, and the IoD believes these have the potential to create *'a more steady environment for business decision-makers in the UK.'*

APPRENTICESHIP REFORMS UNVEILED

Business groups have welcomed the government's recent announcement of an overhaul to the apprenticeship system in England.

On 24 September, the government provided further details of its proposed reforms, which include a new Growth and Skills Levy to replace the existing Apprenticeship Levy. New foundation apprenticeships will also be introduced in order to give young people a route in to careers in critical sectors, enabling them to earn a wage whilst developing vital skills.

Commenting on the day of the announcement, the British Chambers of Commerce (BCC) said skills shortages continue to be a *'major concern'* for businesses and welcomed the proposed new levy. The BCC added, *'We've long argued that the current Apprenticeship Levy needs urgent reform to make it more flexible. Businesses need a simple, coherent and responsive system that properly incentivises employer investment in training.'*

The Federation of Small Businesses (FSB) also welcomed the news, particularly the introduction of foundation apprenticeships and removal of the current 12-month rule which it noted would allow *'flexibility for shorter courses.'* The FSB added that it believes the changes will mean *'more opportunities for small businesses to benefit from lower-level apprenticeships and, in turn, provide more young people with openings.'*

COVID SUPPORT GRANTS EVALUATION STUDY

A report recently published by the Department for Business and Trade suggests a significant majority of firms that received COVID grants would have survived without them.

Research for the report focused on eight grant schemes administered by local authorities, including the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. Overall, the study found that the grant programmes had met their aim of *'providing a rapid response to the cash flow issues'* firms were facing as a result of COVID restrictions and prevented *'a substantial number of business failures and branch closures.'*

However, the 100-page document concluded that *'a relatively high'* proportion of the firms that were supported would have likely survived without the handouts and that *'the outcomes associated with the programme could potentially have been achieved with lower levels of public spending.'* In total, the report suggests that *'only a quarter'* of the 1.4 million UK businesses that collectively benefited from £23bn worth of grants would have gone bust without that support.

The report also noted that many of the businesses that received support made use of other state-backed loan schemes as well, which limited the need for further public subsidy through local authority grants.

QUIRKY QUOTE:

"I'm making this up as I go"

— Indiana Jones

YOUNG BRITS WANT TO WORK FOR THEMSELVES

Research published by Santander shows Gen Z is the most entrepreneurial generation, with a significant majority of people in this group keen to set up their own business.

According to the survey of 2,000 adults, 77% of Brits born after 1996 (Gen Z) are not planning to work a 9 to 5 job their whole careers but would instead like to be their own boss. In contrast, 57% of Millennials, and just 36% of Gen X and 25% of Baby Boomers said they had either become an entrepreneur or harboured ambitions to work for themselves.

The research also found that around half of respondents felt younger people had an advantage when starting a business due to them having grown up in the digital age. In addition, just under half suggested it was easier to start a business today than two decades ago.

Commenting on the findings, Santander UK CEO Mike Regnier said, *"It's clear that digital-savvy Gen Z have a fantastic entrepreneurial spirit, but the qualities you need to succeed on your own aren't bound by age. Entrepreneurship is driven by passion, curiosity and the desire to create something meaningful. Some develop these attributes early on, while others may discover a business drive later in life."*

EMPLOYEES' DESIRE FOR A FOUR-DAY WEEK

Data from a recent survey conducted by *Owl Labs* suggests most employees would be prepared to take a pay cut in order to secure a four-day working week.

In total, the research found that almost three-quarters of UK employees would accept a cut in salary if it meant they only had to work four days a week. This means the proportion of workers willing to sacrifice pay for a four-day week has increased, with this year's figure eight percentage points up on the comparable one from *Owl Labs*' 2023 survey.

Other findings also point to growing employee desire to improve their work/life balance. Indeed, the most common reason for workers to start looking for another job was to achieve a better work/life balance, with exactly half of all respondents citing this option; this was up nine percentage points on last year's equivalent figure. The research also found that nearly half of all employees would quit their job if they lost flexibility privileges.

Owl Labs CEO Frank Weishaupt commented, *"The UK workforce is craving more flexibility and autonomy over their work schedules. It's clear that a significant number are tired of the traditional hustle culture that celebrates long hours, chained to their office desks."*

OTHER NEWS

LATE PAYMENTS CRACKDOWN

The government recently unveiled a package of measures designed to help small firms tackle the scourge of late payments, including new legislation that will require all large businesses to include payment reporting in their annual reports and a promise to step up enforcement of existing late payment reporting regulations. In addition, a consultation will be launched in the coming months to consider further measures to address poor payment practices.

ENERGY BILLS SET TO REMAIN ELEVATED

Data released by Cornwall Insight suggests SME energy bills are likely to remain substantially above historic levels. According to forecasts produced by the energy market specialists, the average annual electricity bill for a typical small business, such as a pub, restaurant or independent retailer, will rise to £13,264 by April 2025, 70% higher than the equivalent bill prior to the energy crisis.

TIME TO CANCEL THE CHRISTMAS PARTY?

Research conducted by Love2Shop suggests there has been a further decline in demand for the traditional Christmas office party. Overall, the survey found that almost two-thirds of employees do not want a festive celebration this year, up seven percentage points from the comparable figure in 2023, while nearly nine out of ten respondents said they would prefer to receive a bonus this year rather than have a Christmas party.



AUTUMN BUDGET 2024: BUSINESS GROUP WISH LISTS

Chancellor of the Exchequer Rachel Reeves will deliver the newly elected Labour administration's first Budget on 30 October and business groups have recently been publishing their lists of policy recommendations they hope Ms Reeves' will include in her upcoming Budget speech.

The **FSB**, for instance, has called on the Chancellor to introduce a range of measures in order to ease employment costs, remove barriers to accessing finance for investment and lift more small firms out of the burden of business rates. In addition, the FSB is urging Ms Reeves to resist pressure to introduce anti-enterprise tax rises.

"A decisively pro-small business Budget is the first and best chance for the Chancellor to secure sustainable growth by the end of the Parliament. Rachel Reeves spoke at Labour Party conference about tearing down barriers to opportunities and enterprise, and the upcoming Budget is the time to take decisive action to do so, delivering on her promise to lead the most pro-growth Treasury ever seen."

Tina McKenzie,
Policy Chair of the FSB

In its written submission to the Chancellor, the IoD set out five key policy recommendations it believes would have the greatest impact on boosting UK growth. These are: the introduction of fiscal rules that protect investment spending; a business tax roadmap that supports business confidence and planning; improvements to the labour market to address skill and labour shortages; improvements to the UK's trade performance, and support for SMEs in the transition to net zero.

"The most important priority for the UK and for this Budget is to deliver a clear message and framework for increasing the UK's potential growth. The sustainability of the public finances is rightly a key priority but we need to shift the focus away from short-term budget management to creating the stable, light-touch long-term policy framework which is desperately needed to get behind stronger growth."

Jonathan Geldart,
Director General of the IoD

Meanwhile, the Confederation of British Industry (CBI) has described the Autumn Budget as a pivotal moment for the new government to build momentum for its agenda to achieve long-term, sustainable economic growth. The CBI is urging the Chancellor to *'give business the right levers to unlock investment'* and has put forward a number of specific recommendations including: a more flexible Apprenticeship Levy as a first step towards the new Growth and Skills Levy; expansion of the Made Smarter Programme enabling digital adoption to support a skilled, reliable workforce; utilise tax incentives to drive investment into high-growth green technologies, and a business tax roadmap alongside long-term business rates reform to bolster business certainty.

"The Chancellor buoyed investor confidence recently by highlighting the strengths of the UK economy which sent the right signals that the UK is an attractive destination to invest and grow. The Budget can provide a tone setting moment in the government's growth mission that can demonstrate to markets, investors, and businesses that the UK has a credible plan for boosting its growth trajectory."

Rain Newton-Smith,
Chief Executive of the CBI

All details are correct at the time of writing (10 October 2024)

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored advice and is for information purposes only. Some rules may vary in different parts of the UK. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on individual circumstances. No part of this document may be reproduced in any manner without prior permission.