



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](mailto:enquiries@prismaticwealth.co.uk)

Web: [www.prismaticwealth.co.uk](http://www.prismaticwealth.co.uk)

# BUSINESS REVIEW

**Spotlight on issues  
affecting business**

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**NOVEMBER 2024**

# BUSINESS REVIEW

## AUTUMN BUDGET 2024

Chancellor Rachel Reeves delivered her first Budget statement on 30 October. As well as outlining the new administration's tax and spending plans (see opposite for key business-related measures), the Chancellor also unveiled the latest economic forecast from the Office for Budget Responsibility (OBR).

The OBR's revised projections suggest the Chancellor's Budget policies will 'temporarily boost' the economy, with growth predictions increased to 1.1% this year and 2.0% in 2025. However, the OBR expects growth to fall back to around 1.5% later in the Parliament, resulting in the overall level of output being 'broadly unchanged' across the five-year period.

Budget measures are also expected to result in both higher inflation and interest rates than previously thought. The OBR now predicts CPI inflation will average 2.6% across 2025, 1.1 percentage points above its March forecast, before slowly returning to the 2% target level by the end of the forecast period.

As a result of these inflationary pressures, the Bank of England is expected to cut interest rates more slowly, with the revised projections assuming rates fall to only 3.5% by the final year of the forecast. This is around half a percentage point above previous estimates for 2025 and 2026.

## Key business-related measures announced during the Budget

- An increase in employers' **National Insurance Contributions** by 1.2 percentage points to 15% from April 2025, along with a reduction in the secondary threshold from £9,100 per year to £5,000
- The **Employment Allowance** to rise from £5,000 to £10,500 from April 2025
- A freeze on the **small business multiplier** and 40% **business rates relief** for retail, hospitality and leisure properties (capped at £110,000) in 2025/26
- Introduction of two permanently lower **business rates** for retail, leisure and hospitality businesses from 2026/27
- The lower and higher main rates of **Capital Gains Tax** raised to 18% and 24%, respectively
- **Entrepreneurs' Relief** (technically known as Business Asset Disposal Relief) to be retained, although the rate will rise to 14% in April 2025 and 18% in April 2026
- A 6.7% increase in the **National Living Wage** to £12.21 per hour from April 2025
- The government's **Corporate Tax Roadmap** commits to: cap the headline rate of Corporation Tax at 25%, maintain the Small Profits Rate and marginal relief at current rates and thresholds, maintain full expensing, the Annual Investment Allowance and R&D relief rates.

Business reaction to the Budget is covered on the back page.

## FIRMS URGED TO IMPROVE RECRUITMENT PRACTICES

A report published by Omni RMS and the Chartered Institute of Personnel and Development suggests employers are wasting significant sums of money due to inefficient hiring and retention strategies.

Data from a survey of over 1,000 UK-based HR professionals contained within the 2024 Resourcing and Talent Planning report shows that less than a quarter of all organisations currently measure the return on investment of their hiring activity. In addition, it was found that under a third of those who are aware of their organisation's turnover data actually calculate the cost of labour turnover.

Analysis conducted by *Omni RMS* suggests this lack of measurement could be costing employers hundreds of thousands of pounds every year. Organisations are therefore being encouraged to scrutinise the effectiveness of their recruitment practices in order to identify and eradicate any inefficiencies within the hiring process.

Omni RMS Managing Director Louise Shaw said, "It's astounding that so few companies are tracking the return on investment in their recruitment activity. People are the largest expense for most organisations and failing to track and monitor where inefficiencies are having a detrimental impact on budgets will have a huge impact. It is critical that organisations track the effectiveness of their hiring activity."

### QUIRKY QUOTE:

*"Leadership is the ability to get extraordinary achievement from ordinary people"*

— Brian Tracy

## STRONG APPETITE FOR BACK-OFFICE OUTSOURCING

**Research commissioned by Parseq suggests demand for outsourced services in the UK is set to soar over the coming years.**

According to the study, just over seven out of ten large companies and almost a quarter of SMEs plan to increase their reliance on partners for back-office support by the end of 2027. This suggests that around 1.3 million UK businesses intend to increase the level of back-office business activities they trust to outsourcing partners over the next three years, with around 600,000 of these looking to outsource for the first time.

Large businesses were found to be most interested in adopting technology services, with a significant proportion of companies with more than 250 employees looking to outsource both IT support and data management. Interestingly, while a significant minority of SMEs were also keen to adopt technology services, the area of greatest demand from sub-250 employee businesses was accounting and finance services.

The research also found that demand for outsourced services looks set to grow fastest in the manufacturing, financial services and healthcare sectors; around three-quarters of the organisations in each of these sectors said they intend to increase their use of third parties to support back-office activities.

## MIND THE GAP: GEN Z AND MILLENNIALS

**A recent study conducted by Oak Engage has highlighted some significant differences in work habits, attitudes and expectations across the generational divide.**

The survey focused largely on Gen Z and Millennials, and found that around half of all workers across these two groups have suffered from burnout. It also revealed that almost six in ten would consider leaving their current role if a better workplace culture was available and that almost four in ten have engaged in quiet quitting at their job.

Additionally, the research found that just over a quarter of Gen Z employees feel their Millennial colleagues normalise working long hours, while more than a fifth of Millennials describe Gen Z as 'entitled.' The data also suggests Gen Z employees tend to prioritise career progression, while Millennials are more driven by salary.

With Gen Z and Millennials set to make up nearly 60% of the workforce by 2030, employee engagement experts are encouraging managers to adapt their leadership styles to bridge the generational gap. To do so, managers are being advised to place greater emphasis on key leadership traits such as empathy, clear communication and support in order to build a productive and harmonious workplace where all employees feel valued and engaged.

## OTHER NEWS

### FAKE JOB ADS ON THE RISE

Data from a survey of job seekers commissioned by the Institute of Job Aggregation has revealed growing concern about the rise of AI in the recruitment process. In total, nine out of ten respondents expressed a lack of trust in AI to manage recruitment processes fairly, while almost half said they had seen an increase in fake job advertisements since AI tools became more prevalent.

### STRONG SUPPORT FOR 'RIGHT TO SWITCH OFF'

Research conducted by Breathe HR suggests SME bosses who will ultimately be responsible for steering through new workers' rights rule changes are largely supportive of the proposed measures. Indeed, the survey found that 85% of British SME bosses with HR responsibilities support proposals to give staff the 'right to switch off,' while 68% agreed that the Employment Rights Bill would positively impact productivity at their organisation.

### HYBRID STAFF MISS OUT ON WORK OPPORTUNITIES

A recently-released study has found that a significant minority of people who work remotely believe they have missed out on opportunities to progress at work. *The Work Remastered 2024* report produced by consultancy *United Culture*, analysed responses from 1,000 office workers in the UK and US, and found that 27% of respondents who work flexibly believe they have missed out on a job promotion or work opportunity.

# BUSINESS REACTION TO AUTUMN BUDGET 2024

A snap poll conducted by the Institute of Directors (IoD) suggests a majority of business leaders were disappointed by the Chancellor's Budget statement. The survey of more than 700 IoD members found that two-thirds reacted negatively to the Budget, while a similar proportion felt it failed to support the government's growth mission.

While business groups did welcome some of the announcements, such as the increase in Employment Allowance for small businesses and the Corporation Tax Roadmap, it was generally described as a 'tough' Budget for business.



*"The Chancellor had difficult choices to make to deliver stability for the economy and public finances. While the Corporation Tax Roadmap will help create much needed stability, the hike in National Insurance Contributions alongside other increases to the employer cost base will increase the burden on business and hit the ability to invest and ultimately make it more expensive to hire people or give pay rises."*

**Rain Newton-Smith, Chief Executive of the Confederation of British Industry**

*"Increasing the Employment Allowance for small businesses by a record amount is a very welcome move. The decision to protect small businesses from an inflationary hike in business rates – by freezing the small business multiplier – will help small firms with premises across all sectors."*

*"Larger small, and medium-sized, businesses will struggle with the rises on employer National Insurance on top of the large costs from the government's employment law plans. The true test of the Budget will be whether small businesses can grow and end the economic stagnation the UK has been stuck in."*

**Tina McKenzie, Policy Chair of the Federation of Small Businesses**

*"This is a tough Budget for business to swallow but the Chancellor has looked to ease the pain by holding out a promise of better days ahead. While some protection for smaller firms is welcome, the increase in employer National Insurance Contributions will place a further cost burden on business. This, coupled with a 6.7% increase in the National Living Wage, means many firms will find it more challenging to invest and recruit in the short-term."*

**Shevaun Haviland, Director General of the British Chambers of Commerce**

*"At first blush, there is precious little in the government's first Budget which offers anything other than short-term pain for the business community. The government has chosen to impose a significant new tax burden on business as a means of achieving an immediate boost to its public sector spending priorities. The risk is that this will exert a negative impact on business confidence, with worrying implications for the economy's future growth trajectory."*

**Dr. Roger Barker, Director of Policy at the IoD**

**All details are correct at the time of writing (08 November 2024)**

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