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BUSINESS REVIEW

Spotlight on issues
affecting business

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MARCH 2024

BUSINESS REVIEW

BUSINESS SENTIMENT HOLDS FIRM

Two surveys published towards the end of last month suggest confidence among UK businesses remains relatively strong.

A Confederation of British Industry survey, for instance, found that optimism across the business and professional services sector improved during the three months to February. In addition, the survey also revealed that business volumes in this sector returned to growth for the first time since June 2023.

Meanwhile, data from Lloyds Bank's latest Business Barometer shows the positive start to the new year continued in February. Although the headline index did report a marginal dip in the overall level of business confidence compared to the previous month's two-year high, the bank stressed that sentiment remains strong in comparison to historic levels. The survey also found expected staffing levels at a two-year high with firms looking to hire new employees as well as retain existing staff.

The commercial bank's Senior Economist Hann-Ju Ho said, *"This month's data still reflects a positive mood among businesses despite a marginal fall in overall confidence. Firms appear to be upbeat about their prospects and the economy, supporting their positive staffing expectations. Scratching the surface, we see a story that continues to show a more positive outlook for the year ahead."*

SMALL FIRMS AND THE AI REVOLUTION

A member of the government's new AI Opportunity Forum has stressed how important it is for the UK economy that small businesses do not get left behind in the AI revolution.

The forum, which held its first meeting last month, has been set up with a clear mission to boost the adoption of AI in the private sector. At the inaugural meeting, members spoke about the progress already being made to seize the potential of AI as well as the challenges which businesses face to go further.

A key theme was the importance of safety and trust in AI, and one of the forum's members also more recently highlighted this issue suggesting trust is paramount when small and medium business (SMB) owners are considering adopting AI solutions. Sage Group Chief Executive Steve Hare said SMBs need assurance that the technology is safe and accurate and generated answers are reliable if they are to confidently use AI.

Mr Hare also said AI presents an unparalleled opportunity to boost productivity for the SMB sector which he described as the backbone of the UK economy. He therefore stressed how important it was that small businesses do not get left behind by AI.

NEW MENOPAUSE GUIDANCE FOR EMPLOYERS

The Equality and Human Rights Commission (EHRC) recently published new resources designed to help employers support workers through the menopause.

Recent years have seen increasing awareness of the impact menopause symptoms can have on women in the workplace. Research by the Chartered Institute of Personnel and Development, for instance, found that over half of working women aged 40 to 60 could think of a time they were unable to work due to menopausal symptoms, while a Fawcett Society survey found one in ten women who were employed during the menopause left a job due to their symptoms.

The EHRC resources are free to access and cover a range of topics, including an overview of menopause and perimenopause, and links to NHS information outlining key symptoms. They also provide a brief summary of the impact menopause symptoms can have on women at work, such as reduced ability to concentrate, increased stress and being less physically able to carry out work tasks.

In addition, the guidance aims to help employers understand their legal obligations in relation to supporting workers experiencing menopausal symptoms. Video content also shows employers how they can make workplace adjustments to prevent discrimination and how to facilitate conversations about menopausal health.

QUIRKY QUOTE:

"I didn't get anywhere in my life waiting on somebody's permission"

— Uzo Aduba

IMPACT OF RED SEA DISRUPTION REVEALED

Research conducted by the British Chambers of Commerce (BCC) has highlighted the scale of the impact on UK firms caused by disruption to shipping in the Red Sea.

The survey of over 1,000 businesses found that two in every five firms have been affected by disruption caused by Houthi attacks in the Red Sea. Perhaps unsurprisingly, exporters, retailers, wholesalers and manufacturers were far more likely to have felt the impact than firms operating across other industry sectors.

Among the key issues cited by firms were increased costs, with some reporting rises of 300% for container hire, and logistical delays, which were adding up to four weeks to delivery times. Respondents also noted that the issue was creating knock-on effects including cashflow difficulties and component shortages on production lines.

BCC Head of Trade Policy William Bain said, *"Our research suggests the longer the current situation persists, the more likely it is that the cost pressures will start to build. Certain sectors of the economy are obviously more exposed to this than others. But with the recent introduction of the government's new customs checks and procedures for imports also adding to costs and delays, it is a difficult time for firms."*

WORKPLACE MENTAL HEALTH TREND

Analysis of counselling data by wellbeing consultancy TERC has revealed a range of mental health challenges currently faced by workplaces across the country.

The study analysed data from over 100,000 counselling sessions with UK employees and found that more workers are now seeking support with mental health than ever before. TERC believes this increasing willingness for staff to open up and look at ways to improve their mental wellbeing is extremely encouraging, as it enables people to transform their lives and should therefore lead to more engaged and effective workforces.

With the cost-of-living crisis still weighing heavily on households, it is perhaps not too surprising that financial stress remains the most common mental health challenge. Overall, the analysis reported a 48% annual increase in the number of employees seeking counselling for money-related stress, with the data suggesting this trend is set to continue in the coming months.

The study placed anxiety and depression as the second most common reason for people to seek counselling services, with a 40% increase in depression and low mood diagnoses over the past year. Other areas where TERC expects to see a rise in the need for counselling services include addiction, neurodiversity and age-related mental health issues.

OTHER NEWS

STRONG GROWTH FROM DIGITAL MICROBUSINESSES

A new study published by GoDaddy research initiative Venture Forward shows the number of UK digital microbusinesses with an annual turnover of more than £100,000 grew substantially last year. According to the data, almost a fifth of microbusinesses that operate online now turn over more than £100,000 a year, a sharp rise from around one in ten during 2022.

UNDERPAYING FIRMS NAMED AND SHAMED

The government recently named 524 businesses for failing to pay the minimum wage. The offending employers were collectively ordered to repay nearly £16m, plus an additional financial penalty, after breaches left more than 172,000 workers out of pocket. The government said this sends a clear message that no employers are exempt from paying their staff the statutory minimum wage.

NEW DE-BANKING FIGURES RELEASED

Data published by the Commons Treasury Committee shows that high street banks closed the accounts of over 140,000 small businesses last year fuelling fears about de-banking. The committee's Chair, Harriett Baldwin, said, *"I hope publishing this data can aid scrutiny of the decisions taken by banks and help to ensure legitimate businesses are not being unfairly treated. Any company engaged in a legal business activity in the UK should be able to find a bank to offer them a bank account."*



On 6 March, Chancellor Jeremy Hunt delivered his latest Budget statement in the House of Commons. Among the key business-related measures announced during his speech were:

- The threshold at which small businesses must register to pay VAT was raised from £85,000 to £90,000 from 1 April 2024
- Self-employed National Insurance Contributions will be cut by a further 2 percentage points with effect from 6 April 2024 which, when combined with the reduction already announced in the Autumn Statement, will take the main rate down from 9% to 6% and the main rate of employee NICs will be reduced to 8%
- The Recovery Loan Scheme for small businesses will be extended until March 2026
- Fuel duty will be frozen at its current level for 12 months, while the current level of alcohol duty will be frozen until February 2025
- A £7.4m upskilling fund pilot to help SMEs develop AI skills of the future was announced

- From April 2024, the threshold at which the High Income Child Benefit Charge kicks in will increase from £50,000 to £60,000
- A number of measures relating to the creative industries were announced, including maintaining the current levels of Theatre Tax Relief permanently, and a 10-year 40% relief on business rates for film studios in England.

Business reaction

While business groups did welcome a number of the Chancellor's announcements, they also expressed disappointment that he had not managed to deliver more for the business sector.

"Following the Autumn Statement this Budget was always set to deliver less for business although changes to National Insurance will provide some momentum. However, beyond this there were no major announcements to help shift the dial on conditions for business."

Shevaun Haviland, Director General of the BCC

"We welcome the increase in the VAT threshold as well as the cut to self-employed

National Insurance Contributions. Elsewhere, we were pleased to see a package of small business support in the Budget documents, including commitments to make progress on the HMRC administrative burden and on the national roll-out of the Business Energy Advice Service, as well as extending the Recovery Loan Scheme.

"That said, many of those running businesses face serious challenges and many will have understandably hoped that there would be more measures announced that would help ease the tough decisions small employers are having to make day-in day-out to keep their businesses going."

Tina McKenzie, Federation of Small Businesses Policy Chair

"First and foremost, business was hoping for a Budget that would maintain a stable and credible policy framework for business. The Chancellor largely delivered that. However, beyond that, there was little in the announcements that can be regarded as a game-changer for business."

Dr. Roger Barker, Director of Policy at the Institute of Directors

All details are correct at the time of writing (11 March 2024)

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