


IN REVIEW

2023 Look Back & 2024 Look Forward





2023 has been another unpredictable year. If the 20s have taught us anything, expect the unexpected. The world is turbulent, and the UK has seen its fair share. 2023 marked high-interest rates and hyperinflation. Closer to the umbrella and payroll, legislation and change still hang over the industry.

And with the Autumn Statement out of the way, our Business Development Manager, Stuart Rouse, speaks directly to Deborah Murphy, Head of Operations at the FCSA, about what's been and what's to come.

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2024: What To Expect?

KEY TRENDS OF 2023



Adapting To The Trends

2023 ushered in a series of significant trends, painting a landscape with change on the horizon but layered with optimism.

Although there were expectations that the Autumn Statement (which we'll cover) would give some insights into the coming changes, a better, more regulated market is on the horizon.

“We are starting to see movement, and it will happen; it just might take a bit more.”

The movement towards umbrella regulation is, without a doubt, a welcome one. However, there's a shared sentiment that although the industry yearns for change, the pace feels sluggish, with frustration in the industry.

We all must remember, IR35 has been around for a while and change takes time.

Patience & “Fake Umbrellas”

Reflecting on the past two decades, the industry has needed to evolve. The transition from PSCs pre-2017 to umbrellas and subsequent changes in private and public sectors are markers in the industry's timeline.

Waiting for the outcomes of ongoing consultations does take its toll, but it's needed, and the feeling is that time is needed to get it right.

A standout issue in 2023 has been the rise of counterfeit umbrella companies aimed at tax evasion—clearly a huge issue for the industry and one that shines the wrong light.

But the proper steps are being taken, including plans to criminalize such activities and hold directors accountable, hoping to curb this unsettling trend.

“Whatever you put into the legislation must stand the test of time. They're not going to change again in a couple of years”.

2023 Wrapped Up

Becoming FCSA accredited is the goal for many umbrellas. The badge that showcases a commitment to compliance and standards is now synonymous. But, for the smaller, more recently established companies, it's an accreditation beyond reach.

And that likely remains the case, the FCSA having no current need to re-evaluate criteria, particularly with the rise of fake umbrellas.

“Through the test of time, we require audited accounts. So you've got to have been trading for that time to be able to have the audited accounts. And as far as contracted numbers, it's got to be sustainable”

In summary, 2023 has been marked by shifts and anticipations, setting the stage for a sector that thrives on adaptability but still needs stability amidst change. Strangely, it exemplifies the industry's resilience, adaptability, and an almost collective pursuit of a better, regulated future.

2023, overall, has been a calmer year than the ones of recent times.



THE AUTUMN STATEMENT

CHANCELLOR OF THE EXCHEQUER.

The Initial Reaction

The 2023 Autumn Statement didn't necessarily go as far as most would like. However, the BIG changes that impact our sector focus on:

- **National Insurance**
- **Minimum Wage**
- **Pensions**

Firstly, it's worth highlighting that our software will seamlessly adapt to the alterations in national insurance percentage change in our December release.

We've collaborated with governmental bodies like HMRC and other providers to ensure compliance and efficiency, emphasizing the symbiotic relationship between their software and client needs.

And let's be honest, this isn't the first change to NI.

Pensions, though, are a little more murky. The necessity for more clarity and regulation is still a key topic. The issue is the risks associated with multiple pension providers, with more exhaustive guidelines and enforcement needed to maintain stability and safety within pension schemes.

IR35, PSCs & Elections

The recent discussions around IR35 and off-payroll offset rules have sparked curiosity about the future of freelance contracting, particularly within industries like oil and gas. With the recent approval of Rose Bank, there's a buzz of anticipation: could this signal a resurgence in the PSC (Personal Service Company) market?

This could indeed be the case. However, the complexity of the oil and gas sector necessitates careful consideration, detached from general market trends. The potential increase in PSCs might hinge on whether end clients avoid past pitfalls, like implementing blanket bans seen during prior reforms.

FCSA's active participation in the off-payroll reforms includes direct engagement with the government, aiming to shape fair policies. Insights gleaned from conversations with contractors in Aberdeen reflect a sentiment of cautious optimism, projecting a lengthy adaptation period of 5–7 years for significant shifts to take place.

It's noteworthy that many former PSC clients may exhibit hesitance in reverting to contracting setups, even with potential advantages like increased investment in AI benefiting IT contractors or positive implications for capital expenses. While these initiatives hold promise for bolstering businesses, the challenge lies in the effective implementation of these strategies.

As the scenario continues to unfold, staying informed and agile will be pivotal for businesses and contractors alike to adapt to the changing dynamics of IR35 and its implications.

And What About An Election?

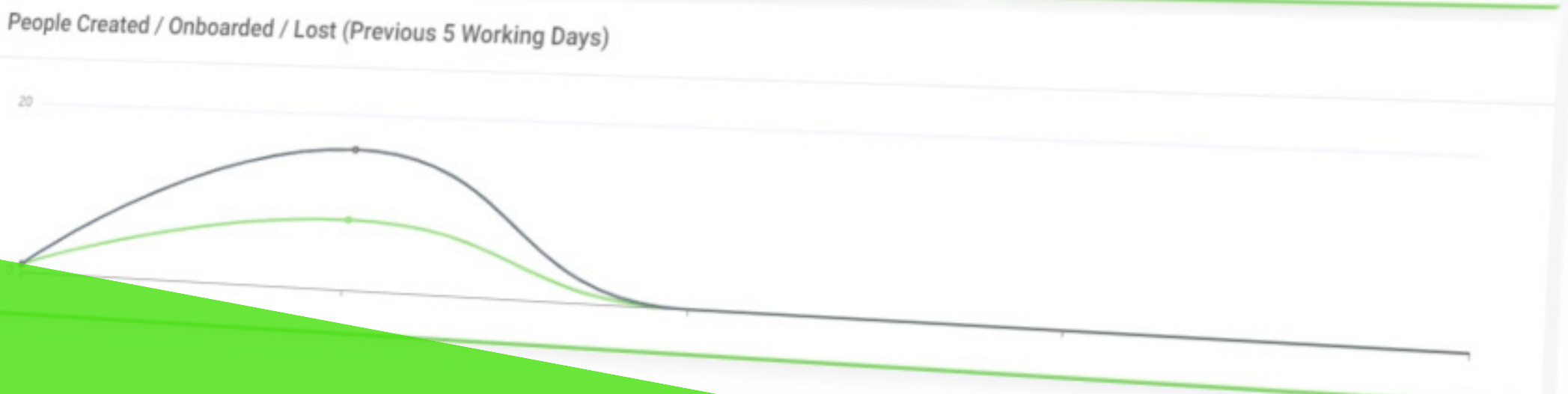
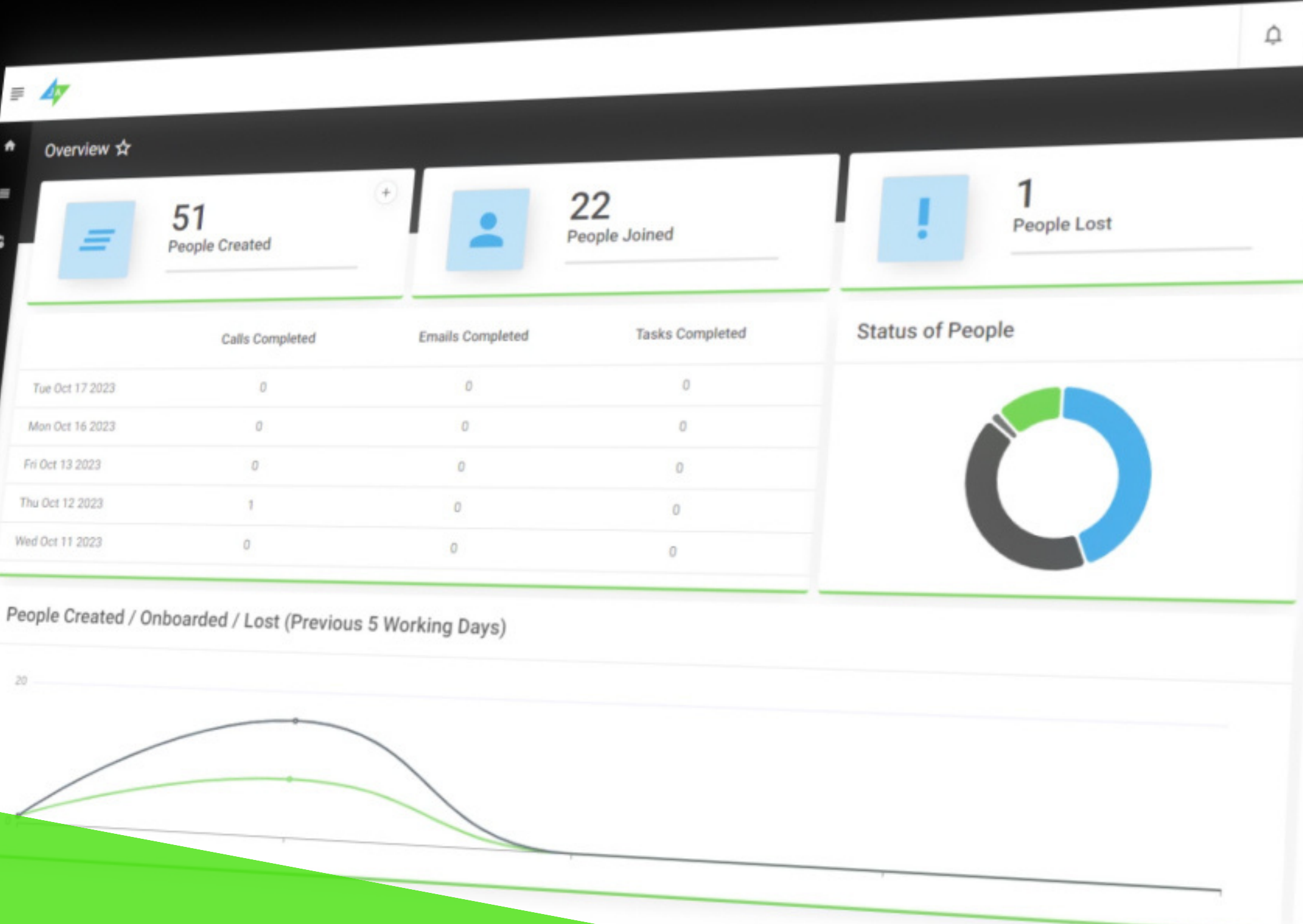
As talk of an imminent general election circulates, concerns arise within the umbrella industry. The pressing worry? Whether this election might clash with the rollout of Umbrella regulation.

The looming question: What happens to this impending regulation if there's a change in government? Labour's pledge of an Employment Bill in their first 100 days adds to the uncertainty.

The Freelancer & Contractor Services Association (FCSA) actively engages with all parties and departments to push for essential regulation, seeking consistency and enforcement in this sector.

As FCSA persists in advocating, the need for collaboration and foresight becomes apparent. Stay tuned for updates as this complex interplay between politics and regulation continues.

“If the regulation is badly drafted I think that will put undue pressure on the industry”



2024 PREDICTIONS

What's In Store, For 24

Amidst the uncertainties and delays surrounding Umbrella regulation, the flourishing CIS sector is a testament to the industry's dynamic nature.

As stakeholders navigate this dual landscape, it's essential to monitor these diverging trends, seizing opportunities while preparing for potential challenges ahead.

- **The Umbrella Regulation Limbo:** Uncertainty looms over the arrival of Umbrella regulation, with concerns mounting over potential industry pressures if the regulations are poorly drafted or delayed.
- **Potential Fallout:** A poorly drafted regulation could intensify pressure on end clients, impose overly stringent guidelines, and hinder industry growth prospects.
- **CIS on the Rise:** In stark contrast, the Construction Industry Scheme (CIS) emerges as a standout growth area.
- **Explosive Growth?:** CIS experiences unprecedented expansion driven by a surge in building projects nationwide.
- **AI Accelerates Tech:** as discussed previously, AI could represent a considerable opportunity for contractor IT and developers. Could this see PSCs returning to support this growth?

See the full video on 2023, the Statement & 2024 below



