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Business News Scotland

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Mastering Cash Flow Forecasting

In the dynamic world of managing a business, one of the most critical elements to success is effective cash flow management. Cash flow forecasting is a fundamental tool for business owners to navigate financial challenges and ensure sustained growth.

In this article, we will delve into the importance of cash flow forecasting and talk about what is needed to master this essential financial practice.

Understanding Cash Flow Forecasting

Cash flow forecasting involves projecting future cash inflows and outflows to determine the financial health of a business. By anticipating cash needs and planning accordingly, you can make informed decisions that will help your business avoid potential pitfalls and enable the business to make the best of opportunities.

Why is Cash Flow Forecasting Crucial for Businesses?

1. Anticipating and Preventing Shortfalls: Unforeseen expenses or delays in receiving payment are a normal part of business and make it imperative to predict potential cash shortages. A cash flow forecast allows business owners to identify and address issues before they escalate, ensuring that there is always enough cash available to cover essential expenses.

2. Strategic Decision-Making: Cash flow forecasts serve as invaluable tools for strategic decision-making. Whether planning an expansion, investing in new equipment, or hiring additional staff, having a clear understanding of the business's financial position enables you to make informed choices that align with your growth objectives.

3. Building Credibility with Stakeholders: Lenders, investors, and suppliers are more likely to engage with businesses that demonstrate financial stability. Accurate cash flow forecasts instill confidence in them that your business is well managed. They also provide a way for you to communicate and provide reassurance on your business's financial plans.

Steps to Master Cash Flow Forecasting:

1. Gather Historical Data: Begin by collecting historical financial data, such as income statements and balance sheets. This information serves as a foundation for predicting future cash flows.

2. Identify Income Sources: List all potential sources of income, such as sales, loans, or investments. Estimate the timing and amounts of these income sources. Be realistic rather than optimistic in your estimating. Consider too whether the income will repeat regularly or not.

3. Track Fixed and Variable Expenses: List all expenses and split them between those that are fixed and those that are variable. Fixed costs are those that remain constant, such as rent and utilities. Variable costs on the other hand will fluctuate, for example, raw materials or staff costs. Estimate the amount of these costs. The temptation can be to minimise the amount of these expenses, but again, be realistic in your estimating.

4. Consider Seasonal Trends: If applicable, account for seasonal fluctuations in your business. Adjust your forecast to reflect periods of increased or decreased demand. This will help you ensure your business can navigate both peak and off-peak seasons.

5. Account for Contingencies: Factor in unexpected events. It is not possible to plan for every possible scenario, and considering too many possible negative factors can discourage you from taking any positive steps. The point is just to build some contingencies into your forecast so that you have a buffer against unforeseen challenges.

6. Update Regularly: A static cash flow forecast becomes obsolete quickly. Regularly update your projections based on actual performance. This allows you to refine your forecasting techniques and adapt to any changes.

7. Use Technology: Use your accounting software and financial tools to streamline the cash flow forecasting process. These tools can automate data entry, track expenses, and generate accurate forecasts, saving you time and reducing the margin of error.

In conclusion, cash flow forecasting is indispensable for business owners. Clearly understanding the cash position of your business and accurately projecting future cashflow will give you greater confidence. A robust cash flow forecasting system empowers you to make informed decisions, build credibility with stakeholders, and ensure long-term financial stability.

Please talk to us if you would like any help in this area. We have tools and resources that can help you with your cashflow forecasting and we would be happy to help!

UK businesses to save time and money on cross-border legal disputes

Lord Bellamy, representing the UK, has now signed the 2019 Hague Convention, which the UK originally committed to joining in November 2023. Once ratified there is a wait of 12 months for the Convention to come into force in the UK, but at that point, it will apply to any judgments commenced after that date.

The Hague Convention is a private law convention that sets out common rules to recognise and enforce foreign judgments in civil and commercial cases between the signatory states of the Convention. For instance, a judgment made by a court in the UK about a company will be recognised and enforced by the court of another nation that has signed up to the treaty.

Businesses that trade internationally with businesses in other countries that have signed up to the Convention will benefit from this treaty. They will have greater certainty when dealing with litigation on contracts for international business and will save time and money if they need to enforce a judgment in another country.

Lord Bellamy, the Justice Minister, said: "Joining the Hague Convention marks a significant step forward for the UK within private international law and strengthens our appeal to businesses as a centre for dispute resolution.

"The robust and reliable regime the Convention offers for the recognition and enforcement of judgments will provide confidence to people and businesses who are involved in civil and commercial disputes as they live, work and do business across borders."

Currently, there are 29 parties to the Hague Convention - the 27 EU Member States, the EU and Ukraine. Uruguay also joins from 1 October 2024. Israel, Costa Rica, the Russian Federation, and the United States have also signed the Convention and, like the UK, await ratification before joining.

See: https://www.gov.uk/government/news/uk-citizens-and-businesses-to-be-spared-time-and-money-on-cross-border-legal-disputes?

Financial fiasco: Company director given six-year ban after failing to explain spending of £3.5 million

Mr Shakar Habib, director at Vista Training Solutions Limited, has been given a six-year ban following the discovery of significant financial irregularities.

The company, in collaboration with other partner organisations, worked to help students find apprenticeships across London and received most of its funding from the Education and Skills Funding Agency (ESFA). Mr Habib served as sole director of the company from November 2015 through to the company's abrupt liquidation in February 2020.

The company liquidated with a debt due to ESFA of more than £2.5 million. A subsequent investigation, jointly conducted by the Insolvency Service and ESFA, found that Mr Habib was unable to account for a staggering £3.5 million from the company's accounts.

Investigators found that Mr Habib had not kept adequate company accounts, and records from April 2019 onwards were missing altogether. This meant that it was impossible to verify whether or not the £3.5 million were legitimate expenses of the company.

In addition, because there were no financial records, the investigators could not account for £525,000 in assets. Work is continuing to see whether it is possible to recover any of the money.

Mr Habib's ban prevents him from promoting, forming, or managing a company without the court's permission.

Of course, it is difficult to imagine that these financial irregularities were just the result of poor record keeping. However, it is a good reminder that directors have a legal obligation to keep proper accounting records. If you are finding it a challenge to keep your accounts up to date, why not give us a call and see how we can help?

See: https://www.gov.uk/government/news/six-year-ban-for-boss-of-collapsed-training-company-who-failed-to-explain-35-million-spending?

Nuclear power to expand in the UK

The UK government has announced plans for expanding nuclear power in the UK. The Civil Nuclear Roadmap sets out how the UK will increase generation of nuclear-powered electricity so that by 2050 it is enough to provide a quarter of the UK's electricity needs.

Prompted by price volatility, increasing uncertainty abroad, and environmental concerns, the roadmap will help to continue the UK's efforts to have a more secure electricity supply and meet carbon neutral targets.

The roadmap acknowledges that investment in nuclear energy has fallen back in recent decades but commits to reverse this trend.

Besides the projects currently being developed at Hinkley Point and Sizewell, there are plans to explore a further large-scale reactor project.

There are also plans to deploy Small Modular Reactors (SMR). These are reactors that are smaller and can be manufactured in factories rather than on-site - as is currently the case with Large-Scale Nuclear Reactors such as Hinkley Point and Sizewell. It is hoped that these will make construction faster and less expensive.

Investment is also planned in research and development on more efficient means of producing nuclear power, as well as producing nuclear fuel for use in the UK and sale overseas.

These ambitious plans will create opportunities for businesses and developers that are in or linked to the Civil Nuclear industry.

See:
https://assets.publishing.service.gov.uk/media/659fb2783308d200131fbe17/6.8610_DESNZ_Civil_Nuclear_Roadmap_report.pdf

HMRC approve tax bill payment plans for 44,800 taxpayers

HM Revenue and Customs (HMRC) have announced that nearly 44,800 people have sorted their upcoming 31 January tax bill by setting up a payment plan.

HMRC provide the option of a monthly payment called Time to Pay (see link below). Provided taxpayers owe less than £30,000, they can use HMRC's affordability checker for help to decide on what arrangement will work best for them.

This arrangement must be set up before 31 January to avoid facing a penalty. Interest will be applied to any outstanding balances from 1 February.

If you need help working out how to make your tax payment or to set up a payment arrangement, please call us and we will be happy to help!

See: https://www.gov.uk/difficulties-paying-hmrc/pay-in-instalments

Post Office Horizon scandal: A stark reminder to prioritise people over systems

The recent Post Office Horizon scandal, given further exposure by the related TV drama, provides a cautionary tale about the perils of overlooking the human impact of technology decisions.

The Post Office's Horizon accounting system erroneously implicated postmasters in financial irregularities and led to severe consequences, including loss of reputation and even imprisonment, for innocent individuals.

These mistakes have underscored the importance of emphasising the human element in decision-making processes and the danger of relying too heavily on technology. This is a particularly pertinent reminder in view of the increased use of AI in business processes.

For business owners keen to avoid a similar pitfall, it would be prudent to give adequate thought to key questions such as:

- What safeguards and oversight mechanisms do we have in place to prevent unintended consequences that could harm individuals or communities?

- Before implementing new technologies or systems, have we done thorough due diligence to assess the potential consequences on individuals, customers, and employees?

- Do we conduct a reasonableness check before accepting a conclusion direct from a technology source?

- Are we so reliant on technology that we would not be able to tell whether a mistake has been made?

Looking at the ramifications and costs of the scandal, placing people at the forefront of decision-making processes is not just ethically sound but could be vital for the ongoing success and sustainability of the business.

CMA publishes provisional approach to implementing the new Digital Markets competition regime

The Competition and Markets Authority (CMA) has published an overview of its provisional approach to implementing the new Digital Markets competition regime.

UK parliament is currently considering the Digital Markets, Competition and Consumers Bill (the DMCC Bill). This legislation is designed to tackle the problem of many digital services across digital markets being provided by the same small number of tech firms and recognising that current anti-competition legislation does not adequately cater for digital markets.

The overview sets out how the CMA plan to apply the legislation. They are committed to using a targeted, evidence-based, and proportionate approach, but it is clear that they are keen to make use of the legislation to level the competition playing field. They already plan to start 3 to 4 investigations within the first year, looking at whether the business concerned has Strategic Market Status in relation to one or more digital activities.

Where the CMA detects that a business is leveraging its status for an unfair competitive edge, it will take action to address this behaviour. This may include imposing conduct requirements.

Examples of these requirements might include prohibiting the business from giving preferential treatment to their own products and services, allowing interoperability of products and services from other businesses with their own offerings, or compelling them to enhance transparency around certain aspects of their algorithms.

If approved, the new digital markets competition regime will help tech challenger businesses compete and help all - businesses and consumers alike - to be more confident of getting great choices and fair deals when buying digital services.

See: https://www.gov.uk/government/publications/overview-of-the-cmas-provisional-approach-to-implement-the-new-digital-markets-competition-regime

Inflation up but interest rate cuts still expected

Inflation figures for December show a small increase to 4% from 3.9% in November.

Economists had expected inflation to fall slightly, but a 12.9% increase in prices for alcohol and tobacco were behind the rise.

Expectations for the Bank of England to cut the base rate later in the year remain though. Energy bills are predicted to drop in 2024 and inflation has fallen from its peak of 11.1% in October 2022 more quickly than the Bank predicted.

The Bank's target is 2%, so December's inflation figure of 4% is still double the target.

Deputy chief UK economist at Capital Economics, Ruth Gregory, has been quoted as saying that she expects inflation to have fallen below 2% by April and feels that interest rates could be cut by June.

The Bank of England's base rate is currently 5.25%.

See: https://www.bbc.co.uk/news/business-67993276

Consultation on proposals for a new threshold for businesses to be able to access the Energy Ombudsman

A UK government consultation is in process looking at introducing a new threshold for bringing cases to the Energy Ombudsman that will include small businesses.

Currently, most small businesses that have a dispute with their energy supplier are unable to access the Energy Ombudsman for help with dispute resolution.

The consultation proposes that there be a new small business definition that will expand access to businesses with:

- up to 50 employees; and
- less than £6.5 million annual turnover or £5 million balance sheet total; or
- annual electricity consumption of less than 500,000kWh; or
- annual gas consumption of less than 500,000kWh

The consultation proposals and details for how to respond are available at: https://www.gov.uk/government/consultations/new-threshold-for-businesses-accessing-the-energy-ombudsman

Changes to import procedures for Irish goods from 31 January

The Border Target Operating Model sets out the UK's final plans for a new approach to importing goods into Great Britain. The changes will be introduced progressively from 31 January 2024.

Where goods are being imported directly from Ireland (and not being moved from or through Northern Ireland), there will be new checks and controls in place. This will apply, for instance, to goods being moved from Dublin and Rosslare ports to Liverpool and Holyhead ports.

New biosecurity and security controls are being introduced from the end of January for all imported goods. However, full customs controls are being brought in for Irish goods being imported directly from this date too. This is a change to current arrangements.

When moving these goods, it will generally be necessary to make import customs declarations at the point of import. Ports will not release goods unless they have received customs clearance.

Where these regulations apply to your business, it is important that you or your staff know what to do from 31 January 2024.

See: https://www.gov.uk/government/publications/the-border-target-operating-model-august-2023?&utm_source=te&utm_medium=stk_email&utm_campaign=northern_ireland&utm_content=07_11_2023

Funding available to support innovation centres

Humza Yousaf, First Minister, has announced that funding of up to £8m per year has been allocated to the Scottish Innovation Centres. This funding will be provided through the Scottish Funding Council.

The Innovation Centres work with colleges and universities to help drive innovation in business.

If you have an idea for improving an existing product, process, or service, or you have identified a new opportunity then the Innovation Centres have connections and expertise that can help you to implement your idea.

The Innovation Centres can be contacted through their website: https://www.innovationcentres.scot/get-in-touch/

See: https://www.gov.scot/news/innovation-at-the-heart-of-the-scottish-economy/

Official figures show a drop in Scottish insolvencies

According to the latest figures released by Accountant in Bankruptcy, Scotland's Insolvency Service, there were 108 company insolvencies registered in Scotland in December. This is 5% lower than were registered in December 2022.

The 108 insolvencies were made up of 40 compulsory liquidations, 65 creditor's voluntary liquidations and 3 administrations. There were no compulsory voluntary arrangements or receivership appointments.

While it is encouraging that numbers fell in December, there is still an expectation for insolvencies to increase in 2024. High interest rates and energy bills, as well as increasing costs in all areas, mean that many businesses are facing cashflow challenges.

If you are concerned that you may be nearing the point of insolvency, please get in touch. We can help with cashflow forecasting, advise on next steps if insolvency is a reality, or just be someone for you to talk to.

See: https://www.insider.co.uk/news/5-year-year-fall-scottish-31891639