

Written by 8 April 2024

## **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!

### **Thinking of buying another business? What due diligence should you consider?**

When in business, it's not uncommon to be approached by another business with a view to you buying the business or entering a partnership deal. It might be a competitor that approaches you, or it could be a customer or supplier.

Alternatively, you might identify a business that you would like to acquire as part of your own growth plans.

What things should you consider before entering a deal to buy another business? In this article we will look at some of the key considerations.

#### Financial assessment

What is the financial health of the business you are looking to acquire? To answer this properly means reviewing accounts, cash flow projections, debts, assets, and liabilities.

Doing a detailed review of these will put you in a good position to understand the financial status of the business. You will learn what working capital is needed by the business, how realistic any projected ventures might be when compared with past performance, and whether there are any hidden liabilities. All this will help you determine the true value of the business and any potential risks involved.

#### Legal compliance

Ensuring that the business you are looking to buy complies with all their legal and regulatory requirements is essential. You do not want to run the risk of a problem relating to non-compliance coming out after you have purchased the business and then being liable for it.

Permits, licences, contracts, intellectual property rights, and any ongoing legal disputes should all be explored.

If you can identify any legal issues upfront, this will help you to mitigate risks and avoid future problems.

#### Evaluate how the business operates

Assessing the operational aspects of the business helps you to understand its strengths, weaknesses, and operational efficiency. This includes looking at the processes, systems and infrastructure of the business. You should also explore its supply chain and customer base, as well as its human resources.

Evaluating how a business operates beforehand can help you to decide whether it is a good fit for your business or if there will be difficulties integrating the business with your own processes.

### Market analysis

Clearly where you are relying on the target business to increase overall business income, then you need to know how this will be accomplished. You will want to analyse what the competition is for the business, what its current market share is and its potential for growth. Being knowledgeable about industry trends is also important in assessing the marketability of the business.

As you understand the market dynamics of the business you are looking to buy, you will be in a stronger position to assess future opportunities and put together appropriately targeted strategic plans.

### Customer and supplier relationships

Evaluating existing customer and supplier relationships helps you to understand how dependent the business is on them, and to know whether there are any potential risks. For instance, reliance on a single customer or supplier may be undesirable.

This kind of evaluation can also help you to work out what customer satisfaction levels and the business' brand reputation is like.

### Employee assessment

It is vital to review employee contracts, benefits, turnover rates, and the culture of the organisation. This can help you assess whether there are any potential HR challenges you need to be aware of. You can also get a sense of how the employees in the new business will be able to fit and work with your existing team.

### Synergy analysis

Evaluating potential synergies between your business and the new business may reveal opportunities for saving costs, enhancing income streams, and efficiency gains. This could mean that the new business will offer you more value than an initial glance might indicate.

In conclusion, there is a lot to consider when looking at buying or entering into partnership with another business. However, thorough due diligence can pay dividends in minimising risks, maximising opportunities, and making sure that the acquisition will bring you success.

As expert business advisors, we have helped with carrying out due diligence in many business acquisitions. Please feel free to give us a call to find out how we can help you!

## April is Stress Awareness Month

The Health and Safety Executive (HSE), via their Working Minds campaign, has declared April Stress Awareness Month.

Work-related stress is an important consideration for businesses since all employers have a legal duty to prevent work related stress to support good mental health in the workplace.

Managing work-related stress doesn't just help employees, it can help employers avoid the problems that stress brings with it: reduced productivity, sickness absence, or even having staff leave.

The HSE are inviting employers to complete 5 steps, taking 1 a week over the 5 weeks of April.

The 5 steps are:

1. **Reach** out and have conversations.
2. **Recognise** the signs and causes of stress.
3. **Respond** to any risks identified by agreeing action points.
4. **Reflect** on the actions taken – have things improved?
5. Make it **Routine** to check back in on how things are going.

Sometimes stress is easy to spot in the workplace, but there can be less obvious indicators that stress is taking a toll on workers. For instance, stress may be behind a worker who is taking more time off, arriving for work later, seems to have lost motivation or confidence, or seems more emotional or nervous than normal.

An increase in arguments, complaints, sickness absence, people leaving, or decreased performance can be indicators that there is a stress problem affecting team members.

The legal duty that employers have in relation to stress does not extend to diagnosing or treating stress. However, it is an employer's responsibility to identify the risks of stress and then act on them.

See: <https://workright.campaign.gov.uk/april-is-stress-awareness-month-five-steps-in-five-weeks/>

## Are training costs tax deductible for the self-employed?

HM Revenue & Customs have recently updated and clarified their guidance on training costs paid by the self-employed.

The general rule for whether the cost of a training course can be deducted from your self-employed profits is that it must be incurred wholly and exclusively for the purposes of the trade being carried out by the business at the time that the training is undertaken.

If you are self-employed, a training course that updates or provides expertise or knowledge in your existing business area will normally be deductible. This means that training on new skills or knowledge for you to keep up with changes in your industry, or to help you keep up with advances in technology can be allowable.

In addition, training on subjects that are ancillary to your main trade can be allowable too depending on the circumstances. As an example, a plumber who books a training course on bookkeeping or digital skills would likely be able to deduct the cost of those courses from his self-employed profits.

Where a training course is to give an individual skills to start a brand-new business, or to add a new, unrelated business area to their business, then HMRC view them as not allowable.

To see some examples of expenses and whether they are likely to be allowable or not please see: <https://www.gov.uk/guidance/check-if-the-cost-of-training-could-be-an-allowable-business-expense>

### **What is the future for the National Minimum Wage?**

The Low Pay Commission (LPC) has published a report on the future of the National Minimum Wage beyond 2024.

In recent years, the LPC has been setting the National Living Wage based on a target of two-thirds of median hourly earnings. The National Living Wage is now set to reach this target, and so the LPC is now reporting to the government with advice on what its next steps on National Minimum Wage could be.

One of their recommendations is to reduce the difference between the youth and adult rates. From April 2024, the minimum age for National Living Wage was brought down from 23 to 21. The LPC are suggesting that this should be further reduced so that the adult rate will apply to anyone over 18 years old.

The LPC also feel that the Apprentice Rate could be removed. However, they acknowledge the risks this would bring if this were done at the same time as reducing the gap between youth and adult rates for non-apprentices.

Therefore, they are suggesting that the Apprentice Rate is kept, but for those aged over 18, it changes to a discount of the age rate during the apprentice's first year. This will still mean that the cost of training is acknowledged in the pay rate but allows for an increase in wages.

To see more about the LPC's proposals, please see:

[https://assets.publishing.service.gov.uk/media/6603e9009741c5001139dc1a/The\\_National\\_Minimum\\_Wage\\_Beyond\\_2024.pdf](https://assets.publishing.service.gov.uk/media/6603e9009741c5001139dc1a/The_National_Minimum_Wage_Beyond_2024.pdf)

## **Farmers encouraged to keep everyone safe around livestock**

The Health and Safety Executive (HSE) have reminded farmers to stay safe around livestock, not just for themselves and their workers, but also with walkers who may use public footpaths. Their Your Farm, Your Future campaign is aimed at improving safety on farms, and there is a focus on livestock in 2024.

Statistics show that four workers were tragically killed following incidents on farms with animals in 2022/23. HSE also monitors incidents that involve cattle and walkers. Apparently, on average between one and two people each year are killed while using public rights of way, while others suffer serious injury.

There is a legal responsibility for farmers to manage their herds to reduce risks to people using footpaths and rights of way. HSE has taken action to prosecute four farmers/landowners in the last year for not taking steps to prevent walkers from being seriously injured on their land.

HSE reports that in one of these cases, a 61-year-old grandmother was killed while enjoying a family walk.

Incidents where walkers are killed or injured usually involve bulls or cows with calves. Therefore, keeping these animals separate from areas with public access, and being careful to assess the temperament of cattle are key considerations that HSE are urging farmers to consider.

More information on the Your Farm Your Future campaign can be found here: <https://workright.campaign.gov.uk/campaigns/agriculture/>

An HSE Information Sheet on Cattle and public access in Scotland can be found here: <https://www.hse.gov.uk/pubns/ais17s.pdf>

## **Food inflation slowing down according to BRC**

The British Retail Consortium (BRC) has released figures showing that food price inflation in March has slowed to its lowest level since December 2021.

Shop Price annual inflation dropped to 1.3% in March, compared with 2.2% in February.

The Chief Executive of the British Retail Consortium, Helen Dickinson, said that “while Easter treats were more expensive than in previous years due to high global cocoa and sugar prices, retailers provided cracking deals on popular chocolates, which led to price falls compared to the previous month. Dairy prices also fell on the month as farmgate prices eased, and retailers worked hard to lower prices for many essentials.”

Whether retailers will continue to be able to maintain lower prices remains to be seen. Businesses are facing increased costs with the rise in National Living Wage in April, as well as business rates increases for those not eligible for the small business rates freeze. Still, the positive news is very welcome!

See: <https://brc.org.uk/news/corporate-affairs/good-news-for-households-as-prices-fall/>

## **UK artists to benefit from new UK-Australia Free Trade Agreement**

As a result of a new UK-Australia Free Trade Agreement (FTA), UK artists will now be able to claim resale royalties when their art is resold in the Australian professional art market.

Previously, UK artists have not received any royalties when their artwork was resold in Australia. However, under the new legislation, UK artists are now entitled to resale royalties in line with the Australian system. This is currently 5% of the sale price of artworks that are sold commercially for AUS\$1,000 or more.

Many UK artists rely on the Artist's Resale Right (ARR) for an income stream. So, this opportunity for new royalties is very welcome news.

See: <https://www.gov.uk/government/news/uk-artists-on-course-for-royalty-windfall-down-under>

## **Good bookkeeping: A backbone of business success**

Keeping your accounting records up to date can feel like a chore, but when your bookkeeping is kept up to date, you and your business can gain some significant benefits. Let's review a few:

### Financial clarity

Regular bookkeeping ensures that your business' financial transactions are accurately recorded, categorised, and updated regularly. Having up-to-date information can give you insights into your business' financial health and help you to make informed decisions about your business with confidence.

### Budgeting and planning

By tracking your income and expenses, it will be much easier to develop a realistic budget, set your financial goals, and allocate money effectively. Accurate financial data can help you to reach your goals.

### Compliance and tax management

Proper bookkeeping makes sure that you comply with tax and, if applicable, company law. When your accounting records are kept accurately and are up to date, it makes tax return preparation easier and reduces the risk of mistakes with their resulting penalties.

### Monitoring cash flow

Keeping up-to-date records of income and expenses allows you to monitor your cashflow. Tracking inflows and outflows of cash enables you to identify trends and

anticipate cash shortages or surpluses. This means you can be well placed to take proactive measures when you need to manage your cash through a tight spot.

Forecasting and managing cashflow is essential for financial stability and meeting the short-term obligations of your business.

### Identifying financial trends and patterns

Over time, good quality bookkeeping will provide you with valuable insights into trends and patterns. This will help you to identify areas of strength and weakness, and spot emerging trends.

You may be able to evaluate how effective a marketing campaign was, or what difference a pricing adjustment makes. These trends and patterns can be a great help in your strategic decision making.

Good bookkeeping is not just a back-office task, but rather is a fundamental aspect of business management and growth. When you invest in robust bookkeeping systems and processes, you lay the groundwork for financial stability, sustainability, and prosperity in the long run.

If you need help with any aspect of your bookkeeping, please give us a call. We will be happy to help you!

### **Increase in Child Benefit rates**

HM Revenue & Customs (HMRC) have confirmed that Child Benefit rates increased on 6 April 2024.

A family with one child will now receive up to £1,331 a year and up to £881 a year for each additional child.

Payments are made to families on a 4-weekly basis and paid directly into their bank account. Families with ongoing claims do not need to do anything as the payment amount will be automatically increased.

Parents with newborn babies need to make a claim online to start receiving Child Benefit. Claims can only be backdated by a maximum of three months.

See: <https://www.gov.uk/government/news/what-the-child-benefit-rate-rise-means-for-you>

### **Ban on keeping chickens in cages proposed**

A new consultation has been announced by the Scottish government about making the use of cages for hens involved in egg production illegal.

In 2012, the UK banned the use of battery cages for birds. However, Scotland still has more than 1.1 million hens being kept in “enriched cages”. These are cages that

provide more room than battery cages, however, are still considered by most to be cruel.

The consultation proposes a ban on installing new cages from 2033, followed by a complete ban on keeping birds in enriched cages from 2034. However, it is also looking for views on bringing the ban forward to 2030.

Other countries have been more proactive in banning enriched cages. Bans start in Germany in 2025, Czechia in 2027 and Slovakia in 2030. However, Scotland could be the first part of the UK to affect a ban.

See: <https://consult.gov.scot/agriculture-and-rural-economy/consultation-use-of-cages-in-laying-hen-sector/>