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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!

Admitting a new partner into the partnership: What should you consider first?

For businesses that run as a partnership, there often comes a time where you need to consider admitting a new partner into the partnership.

Perhaps it's a case of looking for someone who will pave the way for an existing partner to retire, maybe it's a family business and there are plans to bring the next generation on board, or perhaps you have a key employee that brings value to the business and is looking to grow their role and status in the business.

Whatever the reason, what are some of the things you should consider before admitting a new partner? Let's have a look.

Skills and experience

Does the new partner bring skills and expertise that complement the existing partners? This could be in finance, marketing, operations, or in some technical knowledge that is specific to your business.

Spend some time evaluating the prospective partner's experience in your industry and how it can contribute to the growth and success of the partnership.

Financial contribution

How much capital will the new partner contribute to the partnership? Assess whether this capital is sufficient to meet the current and future needs of the business.

It also pays to check on the financial stability of the prospective partner. Will they be able to meet their financial commitments to the partnership?

Cultural fit

Things can get very uncomfortable if there's a mismatch of values among partners in a business. While it's not necessary to agree on everything – in fact an ability to have different ideas can be very valuable for a business – long-running disagreements or feuds can be very detrimental to morale across the business. So, consider whether the prospective partner's values, work ethic, and vision align with those of the existing partners.

Look at how well the new partner will fit into the existing team. Healthy interpersonal dynamics are crucial for the smooth operation of the partnership.

Legal and regulatory considerations

Review your partnership agreement and update it to include terms related to the new partner's rights, responsibilities, and share of profits and losses.

Make sure too that the new partner understands and is willing to comply with all the legal and regulatory requirements relevant to the business.

Impact on existing partners

How will the admission of a new partner affect the distribution of profits among existing partners?

Besides profit sharing, also consider how the prospective partner's admission will impact decision-making processes within the partnership. More partners can complicate decision-making although they can also bring diverse perspectives.

Strategic fit

Does the new partner support the partnership's long-term strategic goals? Their vision and goals ought to align with the partnership's growth strategy.

Also, can the prospective partner bring new clients or access to new markets that will benefit or add to the strategic direction of the partnership?

Reputation and integrity

Unless you already know the new partner well, it is important to carry out thorough background checks to ensure that they have a good reputation and a history of integrity.

The reputation they have in their professional network can also benefit the partnership as a whole, so it's worth assessing how strong this is too.

Exit strategy

However happy things are on the way into an agreement, it is always wise to ensure that you have a clear buy-sell agreement that outlines the terms for a partner exiting the partnership, whether through retirement, resignation or other circumstances.

Consider too how the admission of a new partner fits into the partnership's long-term succession planning.

Summary

Admitting a new partner is a multifaceted decision that requires careful consideration of financial, operational, and interpersonal factors.

It's essential to evaluate the prospective partner's skills, financial contribution, cultural fit, and strategic alignment with the partnership. Legal and regulatory compliance, the impact on existing partners, the reputation of the individual, and an agreed-upon exit strategy are also critical components.

Conducting thorough due diligence and having open discussions among existing partners can help ensure a successful and mutually beneficial addition to the partnership.

Tax is also a consideration when a new partner joins a business. Why not ask us about our tool to calculate the tax implications of admitting a new partner into your business? We will be happy to help you!

Inflation rate falls in April

Official figures released last week by the Office for National Statistics show that the Consumer Prices Index (CPI) dropped to 2.3% for the 12 months to April 2024. This is down from 3.2% for the 12 months to March 2024.

The new energy price caps and resulting fall in gas and electricity prices were the main factors behind the decrease. However, rises in the price of petrol and diesel meant the rate did not fall as low as it might otherwise have done.

A fall in the inflation rate doesn't mean that prices generally are falling, but rather that they are increasing more slowly. The news is encouraging though as the CPI continues to drop towards the Bank of England's target of 2%.

The latest figures appear to have decided the Prime Minister on bringing forward the next general election. Many had expected this to take place in the autumn, however last Wednesday Rishi Sunak announced a general election for Thursday 4 July.

In his announcement, the Prime Minister referred to the latest inflation figures as well as the recent emergence from a (mild) recession. So, it seems that his decision has been triggered by these positive economic indicators.

The inflation rate falling is potentially good news for businesses as it suggests the rise in costs seen over the last couple of years is becoming less severe. Good news about the economy also increases in confidence in consumers and businesses alike, which may mean an increase in sales activity.

To review the Office for National Statistics figures in more depth, see:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>

New planning rules reduce red tape for farmers

New planning laws that have come into force simplify the conversion of unused farm buildings into new homes, farm shops, and gyms. These changes aim to help farmers diversify and expand their businesses without the burden of submitting planning applications.

Farmers can now repurpose agricultural buildings and land for various new uses, including outdoor sports facilities, larger farm shops, and training centres.

Permitted development rights already allow farmers to make some changes without needing planning permissions, but these have now been extended to provide greater freedoms. For instance, the number of homes that can be provided through converting agricultural buildings has doubled from five to ten, provided certain

conditions like space and natural light are met. This initiative supports development of rural housing, enhancing the availability of homes in rural areas.

Key changes include:

- Doubling the allowable floorspace for converting agricultural buildings to commercial use from 500 to 1,000 square meters.
- Increasing the size of new buildings or extensions that can be built on larger farms (over 5 hectares) from 1,000 to 1,500 square meters, and for smaller farms from 1,000 to 1,250 square meters.
- Doubling the number of homes that can be created from agricultural buildings from five to ten.
- Protecting important archaeological sites by restricting new developments near them.

See: <https://www.gov.uk/government/news/planning-red-tape-slashed-for-farmers>

Employee caught stealing customer data

A former management trainee at Enterprise Rent-A-Car UK Limited, Shairaz Saleem, has been fined after illegally obtaining customer data over a two-week period in 2019.

Concerns arose when Mr Saleem visited his workplace in West Yorkshire outside of his scheduled hours and an internal audit then revealed that he accessed 39 customer records from 25 different rental branches in just 32 minutes. Further investigation by Enterprise Rent-A-Car uncovered that Mr Saleem had accessed at least 213 records containing personal data without authorisation.

Mr Saleem was subsequently dismissed for gross misconduct. The company confirmed that Mr Saleem had no business reason to access the data and referred the case to the Information Commissioner's Office (ICO), which launched a criminal investigation.

Mr Saleem appeared in Huddersfield Magistrates' Court, where he pleaded guilty to unlawfully obtaining data. He was fined £265, ordered to pay £450 in costs, and a £32 victim surcharge.

Andy Curry, Head of Investigations at the ICO, emphasized the importance of respecting data privacy. He noted that employees with access to personal information must not abuse this privilege, as it breaches trust and can harm the company's reputation.

While employers cannot foresee or prevent every possible scenario where an employee might act with malicious intent, this case highlights the need for businesses to implement and maintain internal audits and data protection

procedures and protocols that can help to detect and prevent misuse of data by employees.

Businesses should be ensuring that staff are well-informed about their legal obligations regarding data privacy and the serious consequences of violating these standards.

See: <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/05/car-rental-manager-fined-after-unlawfully-obtaining-customer-data/>

Apple and Microsoft announce new product updates

Both Apple and Microsoft have announced updates to their product lines in recent weeks. Apple unveiled updates to their iPad Air and iPod Pro lines, and Microsoft have introduced Copilot + PCs as showcased by their new Surface Pro and Laptop.

These releases by both companies appear to underline the emphasis they are putting on the potential offered by generative AI.

In Microsoft's case this has been placed up front and centre. Copilot + PCs have been announced as the beginning of a new AI era, and this is underlined by the new processor chips being used by Microsoft in their new devices. The new devices will use Qualcomm's Snapdragon (ARM) processors that are specialised for AI rather than the Intel (x86) processors that are inside most of our current Windows machines.

ARM processors are desirable for various reasons, for instance they are more power efficient, meaning that batteries last longer, and are less expensive to manufacture. Most mobile devices run ARM processors. Microsoft have been pioneering a version of Windows that runs on ARM processors for a number of years, however other PC and laptop manufacturers have been slow to follow suit. Software companies have also been slow to update their software to run on the ARM version of Windows, which has made it difficult for many businesses to consider ARM processor loaded Windows machines.

This all looks set to change with Copilot + PCs. In addition to Microsoft's own devices, Acer, ASUS, Dell, HP, Lenovo, and Samsung all have Copilot + PCs on the way. Intel and AMD will also be joining Qualcomm in making AI-powered processors. So, there now seems to be full support across the industry.

Copilot + PCs will work just like any other conventional computer but will also use on-device AI-powered features. These will include the ability to search using natural language, generate images locally, and improve the performance of creative apps.

Apple's release of new iPads didn't specifically focus on any AI features. However, it is widely thought that the new M4 processor released in the iPad Pro is set up for AI use. Apple's annual WWDC event is being held in June and this usually details updates coming to Apple's Mac, iPad and iPhone operating software. AI is expected to be the theme of this year's event.

For businesses considering replacing and upgrading IT equipment in the next few months, it may pay to wait until after WWDC to be able to compare what Apple and Microsoft are offering.

Support with employee health and disability

A new service has been launched to help employers and managers with employee health and disability.

The guidance contained in the service will help in supporting employees and to understand any legal requirements. There are also links provided to government and other organisations that are able to help.

The guidance contains information on:

- Managing absences and staying in touch with employees.
- In and out of work conversations with your employees.
- Helping you to decide on changes that may help employees stay or come back to work.
- How to protect your business and your employees with policies and procedures.
- How to manage complex situations.

The service asks you questions, such as “Is your employee currently at work?” or “Has your employee told you they have a health condition or disability?”. Depending on your answers it then provides advice and information about what you need to do.

To try the new service out, see: <https://www.support-with-employee-health-and-disability.dwp.gov.uk/support-with-employee-health-and-disability>

Automated Vehicles Act brings self-driving vehicles closer to reality

Self-driving vehicles are set to be on British roads by 2026 following the enactment of the Automated Vehicles (AV) Act.

Automated vehicles are expected to improve road safety by reducing human error, which is estimated to be responsible for 88% of road collisions.

The AV Act, which was first announced in the King’s Speech of November 2023, attempts to position the UK as a leader in self-driving technology regulation, that according to government estimates, will potentially unlock a £42 billion industry and create over 38,000 skilled jobs by 2035.

The legislation mandates that self-driving vehicles must meet high safety standards at least equivalent to careful and equivalent human drivers, and includes rigorous safety checks before vehicles are road-ready. This could significantly reduce accidents caused by drink driving, speeding, fatigue, and inattention.

Self-driving vehicles may also be able to help address driver shortages, such as those being experienced by the haulage industry. It could also have real value in mining and other industries where work is dangerous.

The AV Act follows successful trials by British companies like Wayve and Oxa, which are testing self-driving cars in London and Oxford.

Transport Secretary Mark Harper hailed the law as a milestone for the self-driving industry, expecting that self-driving vehicles will enhance travel safety and boost the economy.

Key industry figures, including Paul Newman of Oxa and Alex Kendall of Wayve, praised the Act for its rigorous standards and its potential to establish the UK as a global leader in autonomous vehicle technology.

See: <https://www.gov.uk/government/news/self-driving-vehicles-set-to-be-on-roads-by-2026-as-automated-vehicles-act-becomes-law>

New £1m Manchester prize aims to promote AI innovation

Ten UK teams have been named finalists for the inaugural Manchester Prize, which was announced last week by the Prime Minister at the AI Seoul Summit.

Each team will receive part of a £1 million fund to develop AI solutions over the next eight months, focusing on energy, environment, and infrastructure. Their projects include AI for solar energy integration, climate-resilient crop traits, waste flow analytics, and advanced battery manufacturing.

Following the announcement, Chancellor Jeremy Hunt emphasized the AI sector's growth potential, with AI expected to significantly boost the UK economy. He called the prize "one of the best investments we can make."

Dr. Hayaatun Sillem of the Royal Academy of Engineering, a judge for the prize, noted the challenge of selecting finalists from a diverse pool of innovative applications.

The finalists were selected from nearly 300 entries and will each receive £100,000 plus additional support to refine their projects. This initiative underscores AI's role in economic growth, projected to add £400 billion to the UK economy by 2030. The AI sector already employs over 50,000 people, with rapid market growth expected.

The ten finalists are now in pursuit of a final £1 million grand prize that will be awarded in spring 2025.

More information can be found at <https://manchesterprize.org>

Training bursaries available for crafters

Are you wanting to start your journey into craft, or do you want to turn your hobby into a career? If so, you may be able to apply for a training bursary from Heritage Crafts.

In total, 27 bursaries are available depending on individual need with some ringfenced for black and ethnically diverse trainees, veterans, trainees in Scotland

and Wales, and those working in decorative, rural and endangered crafts. Craftspeople from Northern Ireland are also being encouraged to apply.

The bursary of up to £4,000 can cover or contribute to the costs of:

- Training as an apprentice with a craftperson.
- Attending a specialist training course.
- Carrying out a self-directed programme of training with a craftsperson or craftspeople.
- Specialist tools or materials, books or study materials, as well as supporting travel and accommodation (if this is no more than 30% of the total budget).

The bursaries cannot be used for general living expenses, trainee salary, research, promotional activities or anything else.

The application deadline is 5pm on Friday 5 July 2024.

For more information and to apply, see:

<https://www.heritagecrafts.org.uk/opportunities/training-bursaries/>

Updated guidance for pregnancy and maternity protections

Updated guidance has been issued by the Equality and Human Rights Commission to help employers. The guidance provides advice on what employers can do to prevent pregnancy and maternity discrimination at work.

The updates are due to the new flexible working laws that came into effect in April 2024, and they outline the changes that employers will have to make because of these laws.

These changes include:

- Extending protection from redundancy.
- In a redundancy situation, offering suitable alternative employment.
- Dealing with the new right to request flexible working from the first day of employment.
- Increasing the flexibility in how paternity leave is used.

Employers should ensure that they are up-to-date and compliant with the new laws, and the guidance can help with doing that.

To review the guidance in full, see:

<https://www.equalityhumanrights.com/guidance/pregnancy-and-maternity-pregnancy>

National Flood Resilience Strategy consultation

The Scottish government has launched a consultation on a proposed National Flood Resilience Strategy to help communities better prepare for and adapt to flooding, which is exacerbated by climate change. The strategy aims to gather public

feedback on enhancing community flood resilience and involving a broader range of partners to implement diverse flood management measures more swiftly.

Key proposed actions include:

- Natural flood management, such as tree planting and utilizing natural landforms to slow runoff and capture water.
- Increased use of blue-green infrastructure, like urban green spaces and ponds, to reduce water entering drainage systems.
- Improved community resilience through funding and training local flood groups to help communities prepare for, respond to, and recover from flooding events.

These proposals are part of broader efforts to adapt Scotland to climate change, including the upcoming third National Adaptation Plan, which will be published in the autumn.

Cabinet Secretary for Net Zero and Energy, Mairi McAllan, has emphasised that flooding is Scotland's biggest climate adaptation challenge, with severe impacts on communities, homes, businesses, and mental health.

She highlighted that climate change will increase the frequency of extreme weather events like floods and so adapting living and working spaces to better handle flooding is essential. She called for public input on reducing flood exposure and impact, urging broad participation in the consultation to enhance Scotland's flood resilience for future generations.

For further details about the consultation and taking part, see:

<https://www.gov.scot/publications/flood-resilience-strategy-consultation/pages/1/>

Increase in start-up support from the government

A £5 million investment to support start-up businesses was announced last week by the Scottish government.

This funding aims to nurture high-growth companies and entrepreneurs and follows the recommendations of recent reports on developing a world-class technology sector and to increase female entrepreneurship.

Included in the package is:

- Expansion of the business funding competition Scottish EDGE: This will help to broaden and tailor the range of financial support available to new businesses.
- Developing pre-start support: This will be aimed at stimulating the early stages of business creation and product development for under-represented groups.

- Support for university spin-out companies: This will maximise the economic impact of these companies and commercialise research.
- Global talent attraction: Investing in initiatives to attract top global talent and position Scotland as a prime location for start-up founders and investors.

How exactly businesses and entrepreneurs will be able to access these measures is not yet clear. However, if you are a new business or are considering a new business idea, this support represents an opportunity for you to gain more support on your path to a successful business.

As experienced business advisers, we can help you with getting your new business venture off the ground. Please feel free to call us anytime for a no obligation chat about how we could help you.

See: <https://www.gov.scot/news/support-for-start-up-businesses/>

New stationery store opens in Edinburgh

The high street stationer Ryman opened a new Ryman Design Store in Edinburgh on Friday. This is the first ever store of this kind that Ryman has opened in Scotland, and only the fourth one the brand has opened in the UK.

The Ryman Design Store is a design-led store that sells unique high-quality products to stationery enthusiasts. The store will include products from leading brands such as Ban.do, Kate Spade, POSCA, Legami, Violet Studios, Crafters Companion and Midori.

The owner and chairman of Ryman, Theo Paphitis, said: "I'm delighted to be opening our first-ever Scottish Ryman Design store in Edinburgh and building on the brand's presence in key locations around the UK."

While the high street has suffered in recent years with the growth of online shopping, there is clearly still a desire for well-thought-out shops on the high streets. The Ryman Design stores set a good example of this kind of thinking and the response from shoppers has been positive. Ryman say they are planning for more Design Stores.

See: <https://scottishbusinessnews.net/stationer-launches-first-scottish-store-in-edinburgh/>