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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!

UK economy flatlines again

Figures released by the Office of National Statistics last week show that the UK economy showed no growth in July 2024. This is the second month in a row as there was also no growth in June.

However, looking at the three months ending in July, Gross Domestic Product (GDP) – a measure used to assess the economy – has grown by 0.5% when compared to the quarter ended in April.

The figures suggest that the economy is facing a period of stagnation after the growth and optimism we saw earlier in the year.

What does this mean for your business?

Oftentimes the GDP figures simply confirm what you have already been seeing, but what could these indications about the wider economy imply for your business?

1. Cautious consumer spending: No recent growth in GDP could indicate that consumer confidence is wavering. This can lead to reduced spending, particularly on goods and services that are viewed as non-essential. Businesses in retail, hospitality and non-discretionary sectors may be particularly affected.
2. Cash flow pressures: Businesses often rely on steady growth to maintain their cashflow. If sales slow it can make it more challenging to manage cashflow, especially for businesses that have narrow profit margins.
3. Investment hesitation: The signs of stagnation may make businesses hesitant to invest in expansion, new hires or capital improvements. If you are a b2b business, you may find it tricky to get customers to commit to projects and need to consider what incentives you can offer to get a sale over the line.
4. Potential for government support: If stagnation continues, the government may introduce measures to try and stimulate the economy. These might include tax reliefs or grants. Whether or not these could be helpful will depend on the specific measure proposed.
5. Sector specific impact: The figures behind July's headline GDP rate suggest that the services sector remains relatively consistent with a 0.1% growth for the month, whereas production output decreased by 0.8% and construction

output dropped by 0.4%. It could be worth considering whether this provides any opportunities for your business. For instance, if you have suppliers who are noticing a drop in orders, now may be a good time to see if you can negotiate a more preferential rate.

6. Supply chain risks: At the same time, if reduced demand or fluctuating costs are affecting your suppliers then this can impact on the security of getting the supplies your business needs. Having good communication with your suppliers can be helpful so that you can pick up on early signs of potential issues or price increases. This will help you to prepare for changes or may signal a need for you to diversify with the suppliers you use.
7. Competition and market dynamics: If the market is slowing down and stagnating, competition can increase as businesses fight over a limited pool of consumer spending. Prices and margins can be driven down as a result and make it harder for businesses to stay profitable.

Overall, the lack of growth in GDP suggests that you will need to be cautious and strategic over the next few months. A focus on efficiency, customer retention, and maintaining your financial flexibility may be needed so that you can weather any potential downturns.

Up and down turns in the economy are an inevitable part of business life, but as experienced business advisers we know how to chart a path that can help your business continue to thrive and grow. Please feel free to contact us at any time to see what help and tools we can provide you with.

See:

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/july2024>

Are you National Minimum Wage compliant?

As HMRC intensifies its crackdown on National Minimum Wage (NMW) noncompliance, it's vital to make sure you don't fall foul of NMW laws. Compliance can have more complexities to it than many assume, and the risks of getting it wrong are significant.

HMRC is focusing on SMEs

It seems that HMRC are targeting SMEs. For instance, they have recently targeted SMEs in regions including Belfast, Liverpool, East Anglia, Watford, and the North East. They have plans to expand to additional areas over time.

What are the areas of compliance to watch?

Clearly it is important to make sure that you are using the correct rates of NMW pay. However, compliance isn't just about paying the correct hourly rate. There are a few areas that you need to be aware of to make sure that you comply with the laws.

1. What category is the worker? Under NMW laws, workers are categorised in four different ways - salaried, time-based, output-based, or unmeasured. The category a worker belongs to can alter the method for calculating NMW.
2. How much time does the worker work? If you have salaried staff, then you need to monitor the excess hours they work. A salaried worker is entitled to receive NMW for the total hours they work over a year, called their 'calculated year'. Excess hours could include their turning up early, staying late, working through some of their lunch break, logging on outside of their normal office hours, and business travel. Payments to staff may need to be uplifted to avoid falling foul of the regulations.
3. Does a non-employee count as a worker for NMW purposes? In some situations, someone who would not be considered an employee under PAYE may count as a worker under the NMW laws. For instance, paying volunteers beyond expenses, or offering non-cash benefits, could inadvertently classify them as workers under NMW rules.
4. Could an after-tax deduction bring a worker below NMW? Deductions from wages, such as those made for benefits or savings schemes, can create unintended problems. A recent tribunal case highlighted that a scheme which was well-intentioned still resulted in noncompliance because it reduced pay below the NMW threshold.
5. Are your records complete and accurate? In the event of a dispute where an employee says they have provided time records, but you have not kept a record, HMRC will side with the staff and calculate any arrears based on the information provided by the worker.

The consequences of noncompliance

HMRC's enforcement process includes a three-stage approach, that starts softly and becomes heavier where the business fails to put things right. Continued noncompliance can result in penalties of up to 200% of arrears and public naming and shaming on the government website. Such exposure can damage a business's reputation, affecting recruitment, supplier relationships, and overall growth.

Proactive steps for compliance

To mitigate risks, you should conduct periodic and thorough reviews to check that you are complying. This includes assessing potential areas of noncompliance, updating your policies, and ensuring that employment contracts are aligned with NMW regulations. Communication with staff and line managers is also critical to ensure that any issues are flagged promptly.

Our payroll team are skilled at applying the NMW rules, so if you have questions on any particular situation, please feel free to contact us and we would be happy to help you.

See: <https://www.icaew.com/insights/viewpoints-on-the-news/2024/sep-2024/smes-must-grasp-nuances-of-minimum-wage-compliance>

Risk Reduction Through Design Awards 2024/25: Celebrating workplace safety innovations

The Risk Reduction Through Design Awards 2024/25, sponsored by the Health and Safety Executive (HSE) and the Chartered Institute of Ergonomics and Human Factors (CIEHF), are open for nominations.

These awards aim to highlight employers in the UK who have successfully reduced workplace risks, particularly those related to musculoskeletal disorders (MSDs).

Focus on musculoskeletal disorders

MSDs, which include injuries affecting the back, joints, and limbs, are a significant concern in many workplaces.

The awards seek to recognise companies that have made simple changes to their work environments or processes, resulting in a substantial reduction in musculoskeletal risks for their employees. This could involve reducing tasks that require heavy lifting, pushing, pulling, or awkward postures.

The awards are divided into two categories:

1. Best overall MSD risk reduction through design award.
2. Small to medium enterprise (SME) award.

Who can apply?

The awards are open to all UK employers who have designed and implemented solutions to reduce musculoskeletal risks. Winners will be announced at the CIEHF awards event in April 2025, with their achievements being used as case studies by HSE to promote best practices in workplace safety.

Nominations can be made up until 31 January 2025.

If you have made efforts to improve your workplace safety, then why not apply and gain recognition for your efforts in improving workplace safety?

For more information, see: <https://www.hse.gov.uk/news/msd-awards.htm>

Business Finance Week 2024: Free national and regional events available

Business Finance Week 2024 will run from 24 September to 2 October and includes a variety of national and regional in-person events and webinars.

Business Finance Week is hosted by British Business Bank along with their various partners and can help smaller businesses learn about the various finance options that are available to help them.

Events are being held to cover aspects of finance related to starting your business, innovating, and working capital.

For a full list of the events available and to register, see: <https://www.british-business-bank.co.uk/news-and-events/events/business-finance-week>

New Labour Market Advisory Board: What it means for your business

On Monday, 9th September, the newly formed Labour Market Advisory Board, appointed by Work and Pensions Secretary Liz Kendall MP, had its first meeting. This board is no ordinary group—it's a collective of experts drawn from business, industrial relations, and academia, all focused on tackling what's being called the "greatest employment challenge for a generation."

What's the big issue?

The UK is facing a significant employment crisis. It's the only G7 country whose employment and inactivity rates haven't bounced back to pre-pandemic levels. Nearly 2.8 million people are currently out of work due to long-term sickness, which not only affects individuals and families but also has a knock-on effect on businesses and the economy at large.

What's the board's role?

The Labour Market Advisory Board is tasked with developing new ideas and initiative for the Work and Pensions Secretary to consider.

At the first meeting, the new approaches were discussed, including how to tackle the underlying problems that keep people out of the workforce, such as poor physical and mental health. The Board also looked at how to help the government achieve its ambitious goal of an 80 per cent employment rate.

What could this mean for businesses?

1. Localised Approaches to Employment: There are hints that a White Paper to be published this autumn will show that the Secretary of State plans to devolve power to local areas, enabling them to tackle inactivity with tailored work, health, and skills plans. This could mean more localised support for businesses, with strategies designed to address specific regional challenges.
2. Overhauled Jobcentres: Plans are in the works to merge jobcentres with the National Careers Service. This could lead to more streamlined services, helping businesses to find skilled workers more easily.
3. Youth Employment Initiatives: The same White Paper is expected to include plans for a new youth guarantee for 18-21-year-olds. If your business has been struggling to attract young employees, this initiative might offer new opportunities.

4. Focus on Health and Well-being: With the Board's focus on addressing the impact of ill-health on economic inactivity, we might see new initiatives aimed at improving workplace health and well-being. This could benefit businesses by reducing absenteeism and increasing productivity.

Why Should You Care?

While it's difficult to know at this stage how the government's plans will actually affect day-to-day business life, changes to recruitment and training, employee well-being and productivity all have the potential to affect your business. Therefore, it pays to be aware of what's happening in these areas, especially as changes can provide new opportunities for growth and development.

See: <https://www.gov.uk/government/news/government-action-to-tackle-the-greatest-employment-challenge-for-a-generation>

SIA Changes: New requirements for door supervisor and security guard licences

Businesses providing security services and holding SIA licences need to be aware of changes affecting door supervisor and security guard licences.

Starting from 1st April 2025, anyone renewing these licences must complete a mandatory 'refresher' qualification. The refresher training will be available from 1st October 2024.

Key requirements:

Before taking the refresher training, employees and others must have a valid Emergency First Aid at Work qualification (or equivalent). This qualification must be presented to their training provider when they are registered for the course.

Options for Door Supervisors:

For employees that hold door supervisor licences there are two options:

1. Renew their door supervisor licence by completing the door supervisor refresher training.
2. Switch to a security guard licence by taking the security guard refresher training.

Whichever option is chosen, an Emergency First Aid at Work qualification must be held before the refresher training can be taken.

These changes come on top of a number of changes that have been made over the past few years. For further details about all the changes, see:

<https://www.gov.uk/government/news/changes-to-the-training-you-need-for-an-sia-licence>

New cooperation announced to tackle cyber crime

The Information Commissioner's Office (ICO) and the National Crime Agency (NCA) have announced the signing of a Memorandum of Understanding that details how the two organisations will cooperate to improve the UK's cyber resilience.

The aim is that their working more closely together will help organisations and businesses across the country to have better protection from the activity of criminals who steal data and hold it to ransom.

The Memorandum confirms that the ICO will encourage organisations to report cyber crime to the NCA at the earliest opportunity.

They will also share information about cyber incidents with the NCA on an anonymised, systemic and aggregated basis. Where appropriate, they will also do so on an organisation specific basis to help the NCA protect the public from serious and organised crime.

See: <https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/09/ico-and-nca-sign-memorandum-of-understanding-for-further-collaboration-on-cyber-security/>

What the latest Scottish Government Workforce Statistics mean for your business

The latest stats from the Scottish Government's workforce offer some interesting insights that could be relevant to your business, especially if you're keeping an eye on employment trends.

First up, there's been a noticeable shift towards permanent employment within the Scottish Government, with a whopping 99.5% of their staff now in permanent roles. This might seem like just another statistic, but it could mean that job seekers are increasingly looking for stability.

If you're a small business owner, this could make attracting talent a bit trickier, especially if you rely on temporary or flexible positions. To stay competitive, you might want to think about how you can offer that sense of stability—whether through benefits, a great workplace culture, or even just clear career progression.

Another point that stands out is the increase in sickness rates. On average, Scottish Government staff lost 8.4 working days to sickness over the last year, up from 7.9 days the previous year.

For small businesses, where every team member counts, this kind of rise in sick days can hit hard. It might be time to consider how you can support your team's health, whether that's through flexible working options, wellness initiatives, or simply fostering a more supportive work environment. After all, a healthy team is a productive team.

So, while these stats might be about the public sector, they can still offer valuable insights for small businesses like yours. Staying ahead of these trends could help you attract and retain the best talent and keep your business running smoothly.

See: <https://www.gov.scot/news/scottish-government-workforce-statistics-june-2024/>