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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!

### **Government cracks down on late payments: what you need to know and how to protect your business now**

Late payments are a huge headache for small businesses across the UK, costing SMEs around £22,000 per year on average. In fact, it's estimated that they're responsible for about 50,000 business closures each year!

The government has just announced new measures to tackle the problem, but these won't come into play overnight, so what can you do in the meantime to protect your business?

#### What's changing?

The government has rolled out some new proposals to address late payment problems, particularly trying to tackle larger businesses taking advantage of smaller ones. Here's what's on the table:

- New Fair Payment Code: The old Prompt Payment Code will be replaced with a new Fair Payment Code this autumn, setting clearer standards for businesses to meet. Businesses that show they pay their suppliers promptly can earn gold, silver, or bronze status, encouraging faster payments across the board.
- More transparency about big company practices: New legislation will soon require large businesses to report their payment practices in their annual reports. This will shine a light on companies that drag their feet on paying small suppliers, holding them accountable to boards and investors.
- Consultation on tougher laws: Consultation will be held on stronger laws to force big companies to pay small businesses on time. Enforcement of existing laws is also being ramped up, meaning companies that don't comply with reporting regulations could face criminal penalties, including unlimited fines.

#### This matters to small businesses

According to the Federation of Small Businesses (FSB), more than half of UK SMEs are affected by late payments every quarter, with many forced to take out expensive loans or dip into personal savings to cover cash flow gaps. This new government focus on the issue aims to level the playing field and remove a major barrier to SME growth.

Of course, it's hard to say exactly how effective the new measures will be, and it will take time for them to be fully implemented. So, what can you do to tackle late payments in your business today?

### Practical steps to handle late payments right now

While the government's efforts to fix the late payment culture are welcome, here are a few practical steps you can take immediately to protect your business:

- Be proactive with your payment terms: Make sure your payment terms are crystal clear right from the start. Include these in your contracts and invoices, and consider tightening your payment deadlines if you've been giving clients too much leeway. For example, moving from 60 to 30-day terms can help speed things up.
- Chase payments early and regularly: Don't wait until an invoice is overdue to follow up. Send polite reminders a week before the due date, and chase them promptly if payment is late. Many businesses find that consistent, friendly follow-ups can make a big difference in getting paid faster.
- Offer incentives for early payment: Consider offering a small discount for clients who pay early. While this might reduce your profit slightly, it's often worth it to avoid the costs and stress of late payments.
- Use electronic invoicing and payment systems: Research shows that electronic invoicing can reduce late payments by up to 20%. Switching to digital invoicing and payment systems can streamline the process, making it easier for your clients to pay on time and for you to track payments more efficiently.
- Consider factoring or invoice financing: If late payments are seriously hurting your cash flow, you could look into invoice financing or factoring services. These allow you to borrow against your unpaid invoices, giving you the cash you need upfront. Just be aware that these services come at a cost, so weigh the pros and cons carefully.
- Build strong relationships with clients: It's easy to overlook, but maintaining a strong relationship with your clients can sometimes help avoid late payments. Regular check-ins and open communication about the status of payments can prevent issues before they arise.

### Looking ahead

Hopefully the new Fair Payment Code and the related legislation around reporting will put more pressure on big businesses to pay smaller ones on time. However, even if effective, these changes will take time to filter through.

In the meantime, taking a proactive approach to invoicing, payments, and customer relationships now will continue to help protect your business and reduce the impact of late payments.

If late payments are causing you major issues or you're unsure how to handle overdue invoices, get in touch with us for advice tailored to your business. We're here to help you stay on top of your finances and keep your business growing.

See: <https://www.gov.uk/government/news/crack-down-on-late-payments-in-major-support-package-for-small-businesses>

### **Chancellor's speech takes optimistic tone on economy**

The Chancellor, Rachel Reeves, gave an important speech at the Labour Party conference last week, in which she appeared to shift tone to speak more positively about the economy.

Recently she spoke about the upcoming Budget being a "painful" one. As a result, there has been speculation on where spending will be cut and tax raised, which may have affected consumer confidence.

However, the Chancellor's speech at the party conference concentrated on the positive results she expects to bring to the economy. She plans to grow public spending in real terms as she believes that investment by the government will help the economy to grow. There may be changes upcoming to the rules on government borrowing so that more investment is allowed.

Whether this means that the Budget will not be as painful as we might have been expecting is hard to know. As always, we will keep you posted on the Budget developments.

See: <https://www.bbc.co.uk/news/articles/c5y50z5l1r2o>

### **Chancellor pushes for e-invoicing: What you need to know**

The Chancellor unveiled a series of announcements last week that could have implications for UK businesses. One of the most relevant for business owners was the government's push for electronic invoicing (e-invoicing).

HM Revenue and Customs (HMRC) will soon launch a consultation on encouraging the wider use of e-invoicing, with the goal of simplifying business transactions and reducing administrative burdens but perhaps especially, reducing errors in tax returns so that HMRC can 'close the tax gap'.

While there are clearly advantages for HMRC in businesses using e-invoices, it's also fair to say that they can benefit businesses too.

Benefits of e-invoicing for businesses:

- Improved cash flow: E-invoicing accelerates payment times by automating the invoice approval process, making it easier for businesses to receive payments quickly.
- Reduced errors: Automated processes can help minimise the risks of manual entry errors in invoices, which can lead to payment delays or disputes.
- Increased productivity: With fewer administrative tasks, businesses can save time and focus on other essential areas, such as growth and customer service.
- Tax compliance: E-invoicing can help businesses keep accurate tax records, making it easier to complete tax returns and avoid discrepancies that may lead to penalties.

#### How could you take advantage of e-invoicing?

While the consultation is yet to launch, there's no reason you couldn't give some thought to moving over to an e-invoicing system now.

To do this, you could explore the options available. Many software providers offer affordable solutions tailored to SMEs that work with your existing accounting software. You may find that the software you already use can do e-invoicing for you.

If you need any help with e-invoicing or setting up your accounting software, please just give us a call and we would be happy to help you out.

See: <https://www.gov.uk/government/news/chancellor-unveils-package-to-deliver-on-promises-of-new-government>

#### **HMRC reform: digital transformation and closing the tax gap**

In line with the e-invoicing initiative we reported on elsewhere, the Chancellor also outlined broader reforms to modernise HMRC through a Digital Transformation Roadmap, which is expected in Spring 2025.

This roadmap will aim to create a “digital-first” tax system, although it will include measures to ensure support for those unable to go fully digital.

In addition, James Murray, who is Exchequer Secretary to the Treasury and is responsible for the UK's tax system, has been appointed as the Chair of the HMRC Board. This in part is to help him oversee how HMRC can ‘close the tax gap’ – in other words, collect tax that the government currently believes is being underpaid.

HMRC has a target of recruiting an additional 5,000 compliance staff to help it in these aims.

#### How businesses might be impacted:

With HMRC focusing on closing the tax gap, businesses should ensure that their tax affairs are in order. You might consider seeking advice to review your tax compliance processes and make sure you avoid potential penalties.

For most businesses, operating digitally is now a day-to-day norm. However, with HMRC moving to a “digital-first” approach, if you’ve been relying on paper-based or old computer systems, it may be time to think about upgrading to online solutions.

If you’re unsure how these changes might affect your business or need support with your tax compliance or digital strategy, please get in touch. We’re here to help you navigate the upcoming reforms and ensure your business is well-positioned for growth.

See: <https://www.gov.uk/government/news/chancellor-unveils-package-to-deliver-on-promises-of-new-government>

## **New apprenticeship reforms: What they mean for your business**

The government has announced some reforms to the apprenticeship system in England, which could bring some exciting opportunities for business owners. These reforms, aimed at boosting young people’s access to apprenticeships, come with a new “growth and skills levy” that will replace the existing apprenticeship levy.

Here’s what you need to know, and how this could benefit your business.

### Understanding the new growth and skills levy

This new levy is designed to give businesses more flexibility when it comes to taking on and training new apprentices. Under the current system, apprenticeships have to last at least 12 months, which may not always suit your business needs.

Under the new system, funding for shorter apprenticeships will be possible. This flexibility means you’ll be able to offer training programmes that suit both the needs of your business and the learning speed of your staff. This may mean being able to get new staff members up and running quicker, while still providing them with valuable skills training.

### New foundation apprenticeships

Another key part of the reforms is the introduction of “foundation apprenticeships.” These new apprenticeships are aimed at giving young people a better start in certain critical sectors so that they can earn a wage while developing skills at the same time.

The goal of the reforms is clearly to encourage employers to invest more in younger workers. Young people can be highly motivated and eager to learn, and with government support for their training, this could be a good resource for your business.

### What does this mean for your existing apprenticeship plans?

To raise the funds required under the new system, employers will be asked to rebalance their apprenticeship funding and invest in younger workers. Businesses will need to fund more of their level 7 apprenticeships (those at the master's degree level) outside of the levy. These high-level apprenticeships are typically accessed by older or already well-qualified employees.

If you rely on level 7 apprenticeships in your business, it's worth looking ahead and planning how you might adjust your budget to cover more of these costs yourself.

#### What does Skills England's report mean for you?

Skills England has also published its first report, which highlights the skills gaps currently facing the UK economy. According to the report, employer investment in training has declined over the past decade. Investment per employee is down by 19% in real terms since 2011.

The report also shows that 1 in 10 jobs are now in "critical demand" with more than 90% of these jobs requiring training or education.

This report could act as a wake-up call for many businesses. With fewer people investing in training, those who do could gain a clear advantage in filling critical roles. By taking advantage of these new apprenticeship reforms, you could be ahead of the curve, helping your business secure the skilled workers it needs for long-term success.

#### In summary: key takeaways for your business

- The new growth and skills levy offers more flexibility, allowing you to take on apprentices for shorter periods, tailored to your business's needs.
- Foundation apprenticeships could help businesses access a pipeline of young talent.
- The funding for high-level apprenticeships (level 7) will shift more towards employers, so plan ahead if this is relevant to your business.
- The Skills England report highlights massive skills gaps across many industries – by investing in apprenticeships now, your business could secure a competitive edge.

With these changes on the horizon, it's worth keeping an eye on further announcements from the Department for Education for specific details on how the new system will work. But in the meantime, if you're looking to grow your team or upskill your workforce, these apprenticeship reforms could be the perfect opportunity to get started.

See: <https://www.gov.uk/government/news/prime-minister-overhauls-apprenticeships-to-support-opportunity>

## **Have a Child Trust Fund? Time to check if you can claim your savings!**

If you, or your child, was born between 1 September 2002 and 2 January 2011, there could be a savings account with your or their name on it – literally!

More than 670,000 young people, aged 18-22, have yet to claim their Child Trust Fund, with HM Revenue & Customs calculating that the average fund is worth £2,212. That's a decent chunk of money, so it's worth checking to see if you're one of those with unclaimed funds.

Let's look at how you can find out if you or someone in your family are owed this cash, and what steps you need to take.

### What is a Child Trust Fund?

Child Trust Funds are tax-free savings accounts that were set up for every child born between 1 September 2002 and 2 January 2011. The government kickstarted each account with a £250 deposit, and in some cases, parents may have topped this up over the years. Once the child turned 18, the account matured, meaning that the funds can be withdrawn or reinvested.

The key thing to note is that these accounts aren't held by the government but are managed by banks, building societies, or other savings providers. So, while the money is there, it's not automatically sent to the account holder—you'll need to take action to claim it.

### How do you find your Child Trust Fund?

If you already know which provider holds the Child Trust Fund, then you can simply contact them directly and start the process to withdraw or reinvest your savings.

But what if you don't know where your fund is? No problem. There's a handy [online tool](#) on GOV.UK that can help you find your Child Trust Fund provider. All you need is your National Insurance number and your date of birth. If you're unsure of your National Insurance number, you can easily find it using the HMRC app.

If you're not sure whether you or your child have a Child Trust Fund or how much it's worth, the best thing to do is do a quick check. You won't lose anything by checking and you may get a nice surprise of discovering some extra savings for you or your family member.

If you need any help at all navigating the process, please feel free to get in touch – we're always happy to help!

See: <https://www.gov.uk/government/news/671000-young-people-urged-to-cash-in-their-government-savings-pot>

## **Increase in warmth standards for rented homes**

The government has announced new measures designed to improve the warmth of homes for renters and lower heating costs.

As things currently stand, a private rented home can be rented out if it meets Energy Performance Certificate (EPC) E. Social rented homes have no minimum standard at all.

A consultation will shortly be launched on proposals for both private and social rented homes to have to meet EPC C or its equivalent by 2030.

Also announced was a new Warm Homes: Local Grant that will help low-income homeowners and private tenants to be able to make necessary energy performance upgrades to their home.

No dates have been announced as to when these measures will take effect, but if you are a landlord of a private rented home it may be worth you monitoring the consultation when it's launched so that you can have your say. It may also be prudent to consider what investment you may need to make if you need to make improvements to your property.

See: <https://www.gov.uk/government/news/home-upgrade-revolution-as-renters-set-for-warmer-homes-and-cheaper-bills>

## **New Scottish Languages Bill: What it might mean for businesses**

The new Scottish Languages Bill, which is aimed at promoting and preserving Scotland's indigenous languages—Gaelic and Scots – has been passed at Stage 1 by the Scottish Parliament.

Key provisions of the bill would allow parents to apply for Gaelic early learning and childcare, ensure Gaelic education continuity into secondary school, and encourage the expansion of the provision of Scots within the school curriculum. Gaelic and Scots would also gain official language status, and funding will be concentrated in regions where Gaelic is most endangered.

These developments could have long-term effects on businesses operating in Scotland, particularly in areas with strong Gaelic-speaking communities.

While it's likely to take a few years for the effect of these developments to be felt in the wider community, as Gaelic education expands, businesses may need to adjust by offering bilingual services, signage, or products.

This could in fact open new opportunities for businesses to engage with Gaelic-speaking customers and communities and may create new market opportunities for businesses that support language and cultural initiatives.

See: <https://www.gov.scot/news/protecting-gaelic-and-scots/>