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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!

How Early Financial Warning Signs Can Protect Your Business from Crisis

In many business failures, a collapse can look sudden from the outside. The underlying problems usually begin months or even years earlier and businesses that avoid crisis are those that spot financial instability early and act on it quickly.

Here, we look at some of the financial stability measures and early warning signs you need to know about for your business.

Cash flow: a key stability measure

A key reason for business failure is running out of cash, not lack of profitability.

“Lock-up”, which is the time between starting work or buying stock and invoicing and receiving payment, is a critical measure for any business holding stock or dealing with work-in-progress (WIP) and credit terms.

If lock-up is high or increasing, the business will eat into cash reserves or become more reliant on overdrafts. This weakens its ability to cope with unexpected shocks.

When stock, WIP or debtor days are rising, it does not automatically mean something is wrong, but it might indicate that:

- Projects are not being managed effectively.
- Billing is too slow.
- Demand has dropped, or the business is holding more stock than it needs.
- Credit control is too weak.
- Potential bad debts are accumulating.

Of course, the earlier these issues can be addressed, the better.

Borrowing and debt levels

While borrowing to grow the business is normal, borrowing to survive usually points to deeper issues.

If the business is borrowing without any linked investment, using new borrowing to pay off old borrowing, or if you are regularly putting in personal funds to cover day-to-day costs, it is a sign that more cash is leaving the business than it can generate.

The key is to understand why the cash is being used up. It might be slow customer payments, unprofitable work, rising overheads or something else.

Once you identify the cause, you can take targeted action. That might be to tighten credit control, review how work is priced, or cut back on the parts of the business that are costing more than they bring in.

People cost and gross margin

In any business, having too many senior people and not enough productive employees erodes profit. On the other hand, having too few experienced leaders can lead to a lack of control and poor decision-making.

One way to assess whether this may be affecting your business is to compare your total people costs against turnover.

The ideal percentage will vary from business to business; however, higher figures could suggest that:

- There are inefficiencies in how things are being done.
- Work is being under-priced.
- There is too much spare capacity.
- The staffing mix is imbalanced.

Gross margin is equally important. Regularly monitoring this by department, team or area of the business will reveal underperforming areas long before they show up in i

Overheads as a percentage of income

It can be useful to benchmark overheads as a percentage of income and then monitor these percentages.

Over time, you will be able to establish patterns of what is normal for your business allowing you to more easily spot where costs are ramping up. While the specific percentages will vary by businesses, the principle is universal: if overheads grow faster than turnover, margins shrink and the resilience of your business weakens.

Non-financial warning signs

Financial instability rarely appears on its own. You might notice other red flags, including:

- Staff turnover increasing.
- A rise in complaints or service failures.
- Changes in sales patterns.
- Key suppliers tightening their credit terms.

If you would like help setting up Key Performance Indicators (KPIs) or interpreting their trends, benchmarking your results against similar businesses, or identifying potential issues, please do get in touch. We would be happy to help you understand what the numbers mean and work with you to make clear, practical changes that keep your business on a stable footing.

Is Your Business Ready for 2026/27?

With 6 April 2026, ushering in the start of the new tax year, there are some changes on the way that may affect how you run and plan for your business. To help you stay ahead, we have highlighted three key updates worth having on your radar.

Making Tax Digital

For an estimated 864,000 sole traders and landlords, the new tax year marks the beginning of Making Tax Digital (MTD) for Income Tax. Many more will follow in April 2027 and April 2028.

Sole traders and landlords with gross income above £50,000 in 2024/25 will be mandated into MTD from April 2026. Being within MTD will mean keeping digital records and using software to submit quarterly updates to HM Revenue & Customs (HMRC), as well as an end-of-year tax return.

MTD will be a significant change in how income tax responsibilities are handled, and it pays to be as prepared as possible.

There are some limited exemptions available. Some are provided automatically, whereas others need to be applied for.

If you will be within MTD from April 2026, you should have received a letter from HMRC telling you this and explaining how to sign up. Please note that you will not be automatically signed up. This is something you need to take care of.

If you are not sure what to do or whether MTD applies to you, please give us a call and we will be happy to help you.

Reduction in capital allowances

The main rate of writing-down allowance (WDA) is being reduced to 14% (previously it was 18%). This means you will get less relief on assets your business owns that are being given tax relief in this way.

However, a new 40% first-year allowance (FYA) was introduced in January 2026, and the annual investment allowance continues to apply. These allowances mean that it should be possible to gain favourable tax relief on many new asset purchases.

If you are considering a purchase and would like to ensure that tax relief that will be available to you, please contact us and we will be happy to advise you.

CIS rules become more stringent

Changes to the construction industry scheme (CIS) from 6 April 2026 will give HMRC increased powers.

If a business knows or should have known that a CIS-related payment was connected to fraud, HMRC will be able to:

- Immediately remove gross payment status from the business.
- Make the business liable for the tax loss.
- Charge penalties to the business or the officers of the business.

The time limit for reapplying for a gross payment certificate after its removal will be increased from one year to five years.

These changes underscore the importance of remaining compliant with CIS.

If you would like help staying compliant with tax or to see whether there are ways to optimise your tax position for 2026/27, please get in touch. We would be happy to help you!

UK Economy: Zero Growth in January

The Office for National Statistics (ONS) has reported that gross domestic product (GDP), a measure of how the economy is doing, showed zero growth in January, following growth of 0.1% in December 2025.

The ONS said that there was no growth in the services sector in January. It noted that food and drink service activities fell by 2.7%. January is often a tough month for hospitality businesses.

The production sector fell by 0.1%, while the construction sector grew by 0.2%.

Interestingly, GDP has grown by 0.2% over the three months to January. Looking at GDP on a three-monthly basis can be a less volatile measure to compare against than the monthly figures.

The Prime Minister Keir Starmer has already warned that the longer the Middle East conflict continues, the more likely the UK economy will be affected. Increases in oil prices are already being felt and added pressure on inflation is likely to delay interest rate cuts that were otherwise expected.

See: <https://www.bbc.co.uk/news/articles/c75e06e0kd7o>

CMA Steps Up Plans to Monitor Petrol and Diesel Prices

In response to the Middle East conflict, the Competition and Markets Authority (CMA) is stepping up its monitoring of petrol and diesel prices.

Formal requirements for fuel stations to supply revenue, costs and sales data are being brought forward. The CMA will then review the fuel margins made since the conflict began.

The CMA have also said that they will be looking at how quickly prices rise and fall as wholesale costs change. They will be looking for 'rocket and feather' pricing, which is where prices increase rapidly but come down slowly.

It is hoped that bringing forward these measures will help ensure that petrol stations are not exploiting the current situation.

Executive Director for Markets Juliette Enser said: “Whilst price increases might be inevitable because of rising wholesale costs, it is important that those increases reflect genuine cost pressures. We will be closely scrutinising and reporting on what’s happening with fuel prices and call out any concerning behaviour.

See: <https://www.gov.uk/government/news/cma-steps-up-monitoring-of-petrol-and-diesel-prices>

FCA Tells Second Charge Mortgage Firms to Raise Standards

The Financial Conduct Authority (FCA) has told lenders and brokers in the second charge mortgage market that they need to look at how they advise customers, assess affordability and charge fees.

A recent review by the FCA found issues that raise concerns about whether firms are meeting expectations under the Consumer Duty. Issues identified include:

- Overlooking key living expenses when doing affordability assessments.
- Advising customers to consolidate debt when it was not appropriate for them.
- Record keeping that is inadequate.
- Fees, often added to loans, that are unclear.

While second charge mortgages are a small proportion of the total mortgage market, it is often those who have high existing levels of debt and low financial resilience who are looking for this type of finance.

The FCA’s executive director of payments and digital finance, David Geale, said: “The second charge market is relied on by people often already heavily in debt. It’s vital it works well, but we’ve found that standards are not always where they need to be. This needs to change.”

The FCA is continuing to work with the businesses it reviewed to improve their standards. However, they are calling for all lenders and brokers who deal with second charge mortgages to take note of the review’s findings.

See: <https://www.fca.org.uk/news/press-releases/second-charge-mortgage-firms-told-raise-standards-consumers>