

Written by 20 January 2025

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!

Inflation falls to 2.5%: What this means for your business

The latest figures reveal that UK inflation fell slightly in December, down to 2.5% from 2.6% in November.

While the drop is marginal, however it has sparked discussion in the press as to whether this easing of inflation might prompt the Bank of England to consider cutting interest rates when it meets next month. However, there is also talk of many businesses raising prices over coming months due to payroll cost increases set for April.

Here, we explore some of the key issues you should be aware of.

Potential interest rate cuts: A relief for borrowers?

The fall in inflation raises hopes that further interest rate cuts may be on the horizon. If you already have a loan or are considering borrowing for expansion, a potential reduction in interest rates could lower financing costs and improve cash flow.

An interest rate cut does not necessarily have to have materialised before lenders reduce their rates. Confidence in the financial markets over future interest rate movements can work in your favour.

However, it's important to remain cautious - any rate cuts are speculative at this stage and dependent on further economic data. The Bank of England have already demonstrated a cautious approach to reducing rates, and the inflation rate is still above their target of 2%.

You should prepare for multiple scenarios, and it may be an idea to seek advice so that you can best manage your business' debt strategically.

Upcoming cost pressures in April

While lower inflation is welcome news, costs will still be rising in 2025. Payroll will particularly be affected.

The National Living Wage and National Minimum Wage are set to rise in April, which will directly impact payroll costs, particularly if your business is in the hospitality, retail, and care sectors

In addition, as an employer, the increased Employer National Insurance Contributions rate and reduced threshold will add to your overall cost burden and further squeeze your profit margins.

If you are already grappling with thin margins, these increases could put a severe strain on your business. Now is the time to reassess your cost structures, consider your pricing strategy, improve efficiency, and explore ways to remain competitive.

What should business owners be thinking about?

1. Cash flow management: When costs are changing, understanding your cash flow is critical. Accurate forecasting will help ensure your business can meet its obligations while investing for the future.
2. Pricing strategy: Raising prices is one way to deal with increased costs. Passing costs on to customers is always a delicate balance, but strategic planning can minimise problems.
3. Efficiency improvements: Investing in technology or streamlining processes can help offset rising costs. For example, automation tools could reduce administrative expenses and improve productivity.
4. Workforce planning: You should plan for the financial impact of wage increases by knowing how much extra you are likely to pay. Reviewing your staffing levels may also identify areas where you could save money.

The fall in inflation is a positive development, but businesses cannot afford to become complacent. With wage increases and higher employer contributions on the horizon, planning and preparation are key.

If you need help with financial planning and cash flow forecasting, cost management and efficiency reviews, wage planning or tax and national insurance advice, please get in touch. By working with us, you'll gain the insights and strategies needed to navigate these changes confidently and position your business for long-term success.

Government pushes AI adoption as part of growth strategy

The government launched an AI opportunities action plan last Monday that aims to ramp up AI adoption across the UK.

The Secretary of State for Science, Innovation and Technology, Peter Kyle, believes that the plan shows how the application of AI can be shaped within a modern social market economy.

The plan details how the government intends to lay the foundations that will further enable AI by:

1. Building sufficient, secure and sustainable AI infrastructure: AI requires a large amount of computational power that comes from large and complex computers in data centres.

2. Unlocking data assets in the public and private sectors: AI learns from data, so unlocked data sets, including scientific data sets, that contain data that isn't currently used in training AI models could be important.
3. Training, attracting and retaining the next generation of AI scientists and founders: To meet anticipated future demand, tens of thousands of additional AI professionals could be needed.

It seems that the plan's publication has gone down well with business and investors. Within 48 hours of publication, it was reported that more than £14 billion worth of investment into the UK and thousands of jobs had been confirmed.

Does AI have a significant part to play in our future and the growth of the UK economy? Time will tell but there certainly seems to be a will to find out.

To review the plan in full, see: <https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan#lay-the-foundations>

Import ban on cattle, pigs and sheep from Germany

Following confirmation of a case of Foot and Mouth Disease (FMD) in Germany, a ban has been put on the import of cattle, pigs and sheep from there. It is hoped that this action will help to protect UK farmers and their livelihood.

While FMD poses no risk to human or food safety, it is highly contagious to cattle, sheep, pigs and other cloven-hoofed animals.

An FMD outbreak can be very bad news both for the animals and economically, so livestock keepers are being encouraged to be vigilant to symptoms and rigorous about their biosecurity.

Clinical signs vary depending on the animals involved. Key symptoms for cattle are sores and blisters on the feet, mouth and tongue. They may have fever, lameness or a reluctance to feed. Pigs and sheep may show lameness with potential for blistering. There is further guidance on the signs to look for [here](#).

Since FMD is a legally notifiable disease, it must be reported if found.

See: <https://www.gov.uk/government/news/government-introduces-import-ban-of-cattle-pigs-and-sheep-from-germany-to-protect-farmers-after-foot-and-mouth-case>

Renters' Rights Bill continues to progress

The Renters' Rights Bill returned to Parliament for debate last week and included some new changes.

Cap on advance rent payments

A new rule is proposed that will cap advance rent payments at one month's rent. Currently, there is no limit on the upfront rent a landlord can ask for. This is being

used to exploit potential tenants in some places and particularly disadvantages renters on lower incomes.

Landlords will still be able to take a security deposit of up to 5 or 6 weeks rent alongside a one month's rent in advance.

Safeguards for bereavement

Another proposed change will mean that bereaved guarantors will no longer be forced to pay rent for the rest of the tenancy where a loved one has died. This will make it easier to end a tenancy agreement in unforeseen and tragic circumstances.

Reducing early commitments

Currently students can feel pressured to sign a lease many months in advance. Therefore, it is being proposed that students cannot be locked into an agreement more than six months in advance of moving in.

Further changes proposed include closing potential loopholes in rent repayment order and using fees paid by landlords to directly fund the creation and work of a private rented sector Ombudsman.

See: <https://www.gov.uk/government/news/new-law-to-protect-renters-one-step-closer-to-becoming-a-reality>

CMA launches first investigation under new powers

The new digital markets competition regime came into force on 1 January 2025 and the Competition and Markets Authority (CMA) has now launched its first investigation on Google under its new powers.

Under the new digital markets competition regime, the CMA can designate certain businesses as having strategic market status (SMS) in relation to a particular digital activity. The designation means the CMA can then impose conduct requirements or propose pro-competition interventions that benefit UK consumers and businesses.

The designation can only take place after an investigation, and the CMA has announced that its first SMS designation investigation will be to assess Google's position in search and search advertising services.

According to statistics provided by the CMA, Google accounts for more than 90% of all general search queries in the UK, and more than 200,000 UK advertisers use Google's search advertising.

Search is a key digital service, with many businesses reliant on being found by potential customers in internet searches. The CMA estimates that effective competition in this area could reduce the costs of search advertising.

The investigation will involve assessing how competition is currently working and whether Google is using its position to prevent others being able to innovate. It will also look at whether Google is using its market position to self-preference its own

services, as well as whether there is any potentially exploitative conduct in its use of consumer data and use of publisher content.

Once the investigation is completed, which must be within 9 months, the CMA will announce its findings and any potential conduct requirements.

See: <https://www.gov.uk/cma-cases/sms-investigation-into-googles-general-search-and-search-advertising-services>

Government funding for AI Projects to boost small business productivity

The UK Government has announced a £7 million funding initiative aimed at helping small businesses enhance their productivity and efficiency through artificial intelligence (AI).

This funding, distributed across 120 projects, is part of the Innovate UK BridgeAI programme under the UK Research and Innovation (UKRI) Technology Missions Fund. The initiative seeks to harness AI technology to address real-world challenges and support economic growth in sectors such as agriculture, transport, construction, and more.

Key highlights from the announcement

AI projects across various sectors are being backed. These include:

- Agriculture: AI models that may help farmers optimise yields, such as increasing dairy production from cows or protecting strawberry crops.
- Roads: How an AI tool could predict potholes before they form, reducing road repair costs and preventing vehicle damage.
- Bakery: How AI could be used to predict sales and forecast how much of each product needs to be made each day to cut food waste and protect profit margins.
- Building maintenance: Trialling an AI model that can anticipate mould growth in properties, so they can be handled to avoid health and safety concerns.

The funding builds on the government's recently published AI Opportunities Action Plan, which outlines a roadmap for widespread AI adoption across the economy.

Considerations for small businesses

While the funding and expertise offered by initiatives like BridgeAI are substantial, as these various applications come to market, small businesses will need to consider the costs of integrating AI into their operations.

These may include purchasing hardware, training staff, and ensuring that your data infrastructure is robust enough to support AI technologies. As with any new technology it will be important to analyse the cost-benefits.

While AI is clearly seen as a major player in future economic growth, businesses will need to navigate issues related to data security, ethical use, and transparency. Ensuring compliance with regulations and building customer trust will be essential, particularly for those who handle sensitive customer or operational data.

Conclusion

The UK Government's AI funding initiative represents a significant opportunity for small businesses to adopt cutting-edge technologies and enhance their competitiveness. While there is potential for improved efficiency, cost savings, and growth, businesses will still need to carefully assess the costs of implementation and address ethical considerations.

See: <https://www.gov.uk/government/news/government-puts-ai-to-work-for-bakers-road-workers-and-more>

Showcasing export excellence: Enter the Made in the UK, Sold to the World Awards

Small businesses across the UK are invited to enter the Department for Business and Trade's (DBT) Made in the UK, Sold to the World Awards, which celebrate exceptional achievements in international trade.

The awards are open for entries until 9 March and provide a platform for SMEs to showcase their success in exporting British goods and services across the globe.

Why enter the awards?

In short, winning or being highly commended in one of the award categories can offer opportunities to expand your business' reach and elevate your brand.

Previous winners Intralink, who won in the Consultancy & Professional Services category, say they achieved a 10% revenue increase and expanded into Finland, Norway, China, and South Korea. Simventure, who won in the Education & EdTech category, experienced 30% year-on-year growth and entered markets in the Middle East.

What's new for 2025?

This year's awards feature two new categories: Digital & Technology and Export Services. Other categories include:

- Advanced Manufacturing & Construction
- Agriculture, Food & Drink
- Consultancy & Professional Services
- Creative Industries
- Education & EdTech
- Financial Services & FinTech
- Healthcare
- Infrastructure and Engineering

- Low Carbon Energy
- Retail and Consumer Goods

Entries close on March 9th and information on how to enter can be found [here](#).

Could exporting matter to your business?

Whether you currently export or not, exporting offers growth potential that domestic markets alone cannot match.

If you are looking for expert guidance on exporting and navigating international markets, get in touch with us. Our team is here to help you achieve your global ambitions.

See: <https://www.gov.uk/government/news/uk-smes-called-to-apply-for-major-government-export-awards>

Concerns raised on National Insurance increases

48 Scottish voluntary and public sector organisations have combined forces to write a letter to Rachel Reeves, UK Chancellor of the Exchequer. In it they have requested funding that will fully cover the additional costs they face as a result of the increases to employer National Insurance.

It has been estimated that the additional cost to organisations delivering public services in Scotland could be as much as £700 million.

First Minister John Swinney said: “We are concerned about the additional pressure [the change to employers National Insurance Contributions] places on all employers. The Scottish Budget is expected to pass within weeks, and alongside local authorities, we need clarity.”

See: <https://www.gov.scot/news/call-for-clarity-on-national-insurance/>