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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!

### When is Diversification a Good Business Strategy?

It's long been said that putting all your eggs in one basket is risky. Many small business owners may fear that risk of becoming a reality.

Take the UK's farming sector as an example. Faced with extreme weather, policy shifts and volatile prices, farmers have increasingly turned to other sources of income to keep their businesses viable. According to a recent BBC news article, nearly three-quarters now run at least one non-farming enterprise - anything from glamping to beauty salons to wedding venues.

It's not just farming where this lesson applies: when your main income stream becomes unpredictable or limited, diversification can help stabilise your business.

What does diversification look like?

In business terms, diversification means creating additional income streams that don't rely on your core product or service. That could include:

- Renting out underused space or equipment
- Offering a new service that fits your customer base
- Using your skills in a new market
- Turning a hobby or interest into a side income
- Creating online or subscription-based offerings

At its best, diversification adds resilience. It spreads your risk and gives you more ways to grow. But it's not just a fallback - it can also uncover new markets and help your business grow in a way that may not have been possible otherwise.

When is the right time to diversify?

Here are a few signs that it might be worth considering:

- Income is unpredictable or seasonal: If your sales swing wildly month to month, a secondary income stream can even things out.
- You have unused assets: This might be space, equipment or even skills going to waste. For example, as some farmers have found, letting out buildings or land can be a smart use of what's already there.

- Customer habits are shifting: If demand for your core product or service is declining, diversification can help you adapt before things dip further.

- You're seeing unmet demand in your area or industry: If customers keep asking for something you don't currently offer, that could be a sign there's an idea worth exploring.

- You're relying too heavily on one client or sector: Many businesses felt this during the pandemic; when one client or industry struggles, it can take you with it.

A few things to keep in mind

It's usually best to start small. You don't need to go all in. You could try testing a new idea alongside your main business to see what works.

Try to build on what you already do or have. It's usually easier, more cost-effective, and more likely to succeed than starting something completely new from scratch.

It's important to be realistic about the time and costs that will be involved. Any new venture will need your attention. Make sure it's worth the effort and doesn't distract from what's already working for you.

Final thought

Diversification isn't just about chasing trends. It's about making your business more adaptable and more resilient. For some businesses, diversifying is not just a bolt-on. In a changing economy, it can be what keeps the whole business afloat.

If you're considering your business strategy, why not give us a call? We would be happy to help you review and appraise the options available to your business.

**IMF Upgrades UK Growth Forecast: Steadier Ground Ahead?**

The International Monetary Fund (IMF) has released its annual review of the UK economy and the message this year is more positive than many might have expected. The IMF has upgraded its forecast for UK growth in 2025 to 1.2%, noting that "an economic recovery is underway."

While this may not be headline-grabbing growth, it's a step up from earlier projections and a shift in tone from what has often been a cautious outlook.

Putting Things in Perspective

While the growth upgrade is welcome, it's worth keeping in perspective. A forecast of 1.2% for 2025 is still relatively modest, and there are ongoing pressures to consider. These include inflation, which came in above expectations at 3.5% in April.

However, the IMF have expressed support for the government's fiscal strategy, describing it as striking "a good balance between supporting growth and safeguarding fiscal sustainability."

The IMF also noted that weak productivity continues to be a problem, but they feel the government's Growth Mission stands a good chance of reversing this trend.

What Businesses Might Take from This

Growth forecasts matter for confidence. Even modest upgrades in official forecasts can shape investor sentiment, lending conditions, and customer demand.

Greater confidence could translate into more sales opportunities for your business.

Looking Ahead

The full IMF report will be published later this summer. In the meantime, the latest update is a reminder that despite ongoing challenges, the outlook for 2025 could improve.

If you'd like help reviewing your financial plans and forecasts, please get in touch. We're always happy to talk things through and help you achieve a positive 2025.

See: https://www.imf.org/en/News/Articles/2025/05/27/cs-uk-aiv-2025

**FSB Updates Guidance on Employers' Liability Insurance**

The Federation of Small Businesses (FSB) has recently updated its guidance on Employers' Liability insurance - a useful reminder of the rules and risks around a business insurance that is legally required in the UK.

The guidance explains that if you employ anyone - including part-time, temporary, or even volunteer staff - you are likely required by law to have this cover in place. It's there to protect businesses should an employee become ill or injured because of their work and the employer is found legally responsible.

What the FSB Highlights

The updated guidance gives practical examples of when this insurance might apply, such as:

- A worker being injured while using machinery
- An office employee developing repetitive strain injury
- A fall on a construction site leading to time off work

The costs of such claims can be significant. As the FSB notes, legal fees and compensation payments can run into tens of thousands of pounds, potentially enough to put a small business under real pressure.

The guidance also clarifies:

- The legal minimum cover is £5 million (though most insurers offer £10 million as standard)
- Fines can reach £2,500 per day if a business is found not to have the required cover
- The insurance certificate must be displayed or made accessible to staff – failure to do so can result in a £1,000 fine

Exemptions and Edge Cases

The FSB outlines a few cases where the cover may not be required: for example, some family businesses or sole traders without staff. But these are quite limited and the guidance suggests most businesses with paid staff will need the insurance.

Worth Reviewing

The FSB guidance could serve as a useful prompt for you to review your insurance arrangements, particularly if your staffing or business structure has changed recently.

You can find the full guidance on the FSB website.

**Bonus as Salary or Dividend: Which Pays Off?**

If you run your own company, you might have the option to take a bonus either as salary or as a dividend. But which one leaves you better off?

The answer depends on several factors: how much profit your company has, your existing income, the current rates of tax and National Insurance, and whether you're taking advantage of available allowances.

Salary: Pros and Cons

Taking a bonus as salary means it's taxed through PAYE, with income tax and National Insurance deducted at source. It can boost your pension contributions and improve borrowing power (e.g. for mortgages), but it may also push you into a higher tax band.

Dividend: Pros and Cons

Dividends aren't subject to National Insurance and are often a more tax-efficient way of taking money out of a company. However, they can only be paid from company profits after corporation tax. Also, the tax-free dividend allowance has now been reduced to £500, so more of the dividend is now taxable than in the past.

So, which is better?

It depends. Sometimes it makes sense to mix both to strike the right balance between tax efficiency and personal financial goals.

We use tailored calculations and up-to-date tools to help clients compare the actual take-home pay of different options. What works best for one director-shareholder might not be right for another.

If you're thinking about taking a bonus, we can help you work out the most tax-efficient way to do it, based on your company's situation and your personal plans.

Get in touch if you'd like us to run the numbers for you.

**Why You Shouldn't Ignore Old Tech: New Guidance from the NCSC**

The National Cyber Security Centre (NCSC) has released new guidance on how to properly retire old digital systems and devices – a process known as decommissioning. The guidance is aimed at IT teams, but there are useful takeaways for any small business that uses computers, software or online systems.

Why this matters

With so many demands on our time, it can be easy to leave old laptops or devices lying around when they're no longer needed. But old tech can quietly become a security risk. It might still hold sensitive information or give someone a way into your systems without you realising it.

The NCSC says that getting rid of old systems safely is just as important as setting them up in the first place.

What should you do?

Here are some key tips from the guidance:

- Don't wait until the end: Plan ahead. If you're buying new systems or changing software, think about how and when you'll stop using the old one.

- Keep track of what you use: Make a basic list of your computers, software and devices. This helps you stay in control, especially if you've tried out different tools over the years.

- Back up your data: Before getting rid of any computer or online service, save a full copy of the important data. This includes documents, emails, passwords, and anything you might need to recover later.

- Wipe data properly: If you're planning to sell, donate, or throw away an old device, make sure you clear all data first. A factory reset often isn't enough. Look up how to securely wipe a device or ask someone to do it for you.

- Check it's really gone: If you've used someone else to help dispose of a device, ask for proof it was wiped properly. If you've done it yourself, keep a note of what you did and when – that may help if you encounter problems in the future.

Final thought

You don't need to be a tech expert to take simple steps that protect your business. The NCSC's guidance is a good reminder that old systems aren't just clutter – they can be a risk if they're not dealt with properly.

If you're not sure where to start, make a list of the tech you use now, and think about what's no longer needed. That's often the first and most important step.

You can find more detail on the NCSC website if you'd like to explore further.

**New Scotland–Ukraine Agreement Opens Doors for Business Collaboration**

A new agreement between the Scottish Government and Ukraine aims to strengthen business ties and support Ukraine's recovery and reconstruction efforts. Signed during a visit to Scotland by over 60 Ukrainian mayors and business leaders, the Memorandum of Understanding (MoU) sets out plans to increase trade and investment between the two countries.

In 2024, total trade in goods between Scotland and Ukraine was worth £38.4 million, and several Scottish firms are already playing a role in Ukraine's recovery. For example, Cairnhill Structures Ltd in Coatbridge has supplied steel to rebuild two key bridges in Kyiv destroyed during the war.

External Affairs Secretary Angus Robertson said the agreement will help both countries grow through exchanging ideas, knowledge and practical support, particularly in areas such as e-commerce, green energy, and agri-food innovation.

The Ukrainian Consul in Edinburgh, Andrii Madzianovskyi, said the partnership would open " …new avenues for investment, technology exchange, and access to high-value markets."

The agreement may present some practical opportunities for Scottish businesses to expand into Eastern Europe, contribute to international recovery efforts and tap into new partnerships with long-term potential.

See: https://www.gov.scot/news/new-agreement-to-strengthen-scottish-and-ukrainian-business-ties/

**Over £6 Million Paid to Hill Farmers Through Scottish Upland Sheep Support Scheme**

More than 1,000 hill farming businesses in Scotland have received over £6 million in support through the Scottish Upland Sheep Support Scheme (SUSSS), with over 95% of eligible applications processed before the end of May for the second year in a row.

The scheme provides targeted support to sheep producers working on poorer quality, rough grazing land, typically in remote and upland areas.

Agriculture Minister Jim Fairlie stressed the wider value of Scotland's hill sheep sector, which supports jobs, helps retain population in rural areas, and has export and retail potential both domestically and internationally.

If you're a hill sheep farmer and haven't yet reviewed your eligibility or claims, it may be worth checking your application records to ensure you're making full use of the support available.

See: https://www.gov.scot/news/farmer-payments-begin-2/