

Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at insolvency@newmanandpartners.co.uk

Autumn Statement's business rates reforms could push more SMEs into insolvency

The Chancellor Philip Hammond delivered another blow to small and medium-sized enterprises (SMEs) during his Autumn Statement announcements on 23 November.

He confirmed that business rates – the tax Britain's retailers and other SMEs pay on shops, warehouses and other buildings – would rise by £465.8million a year on average over the next five years.

Furthermore, a proposed new provision in the business rates system would see the Government prevent business rates appeals which have a margin of error of less than 15 per cent – a move which the Federation of Small Businesses (FSB) warns could cost SMEs up to £700million over the next five years.

But that £700million is nothing when compared to Hammond's intended business rates hike, which equates to a £2.3billion rise in taxes overall, according to reports. The news also comes in the wake of ongoing changes to the National Living Wage (NLW), volatile currency fluctuations and Brexit uncertainties – all of which continue to weigh heavily on Britain's businesses.

Dave Lewis, head of supermarket giant Tesco, has warned businesses in the retail sector that they face a "potentially lethal cocktail" of costs once business rates reforms take effect. With low sterling pushing up the costs of imports and NLW changes forcing SMEs to push up their employees' salaries, firms are facing rising costs coupled with declining profits – and reports suggest that the vast majority of businesses fear their future.



Martin McTague, policy director at the Federation of Small Businesses (FSB) has warned that "businesses that are already struggling could be pushed into insolvency, with smaller firms particularly at risk". Evidently, struggling SMEs already grappling with fears of insolvency could be at risk of running into financial disarray sooner than they might think.

If your client is concerned about the prospect of corporate or business insolvency or compulsory liquidation, and you would like advice on the options available to them, our team at Newman and Partners can help.

If you would like to know more about our insolvency services, please contact us.

Europe proposes changes to bankruptcy rules – but will Britain benefit?

In a bid to bolster European entrepreneurship and growth – and paper the cracks in the bloc’s disparate insolvency framework – the European Commission (EC) has announced plans to reform overarching bankruptcy rules.

The intended reforms will give small and medium-sized enterprises (SMEs) greater legal flexibility to restructure their operations upon facing insolvency – but whether Britain will benefit from the reforms is yet to be seen.

The EC has said that its intended reforms mirror the model used in the US, known as Chapter 11 bankruptcy laws. Such legislation seeks to assist business owners by offering them a ‘second chance’ following a failed endeavour. This is achieved by stripping away the burden of legacy debt accrued from a previous restructuring failure.

Under current EU laws, business owners can carry previous debt for a maximum of ten years in some countries – a timescale which the commission hopes to slash to

three years with a full discharge. The idea is for firms and legislators alike to accept failure as a normal part of doing business.

The initiative follows criticisms that the EU’s disparate insolvency laws hinder cross-border investment. The Commission estimates that around 200,000 European firms go bankrupt every single year and EU justice commissioner Vera Jourova believes that “It is high time to give entrepreneurs a second chance to restart a business”.

Experts suggest that the UK could bypass the proposed law entirely in the wake of Brexit, as EU member states are likely to be given two years to implement the proposed changes. But whether Britain will be granted the opportunity to opt-in is yet to be seen. Providing the right advice to your clients during a period of economic uncertainty is



crucial, and concerns regarding bankruptcy or insolvency are always best explored sooner rather than later. At Newman and Partners we are carefully assessing the situation to ensure that we can act quickly when changes occur. To find out more about our proactive services, please contact us.

Care homes in crisis as revised figures reveal surge in insolvencies

Recent data suggests that the UK care home industry is in a worrying state of financial disarray – and more so that many economists initially feared. Government data suggests that approximately 100 more care sector businesses than anticipated have closed their doors since 2010 after being forced into administration or insolvency.

According to reports, a grand total of 380 firms have been declared insolvent in the last six years, suggesting that many care homes are buckling under financial pressure, much of which can likely be attributed to changes to the National Living Wage (NLW), workplace pensions and rapidly rising costs.

The difficulties facing the sector have become increasingly apparent in recent years. For example, in 2014/15, 47 operators became insolvent, rising from 40 in the previous 12 months and just 35 in 2012/13.

Martin Green, chief executive of Care England, has suggested that several years of spiralling costs and underfunding

are pushing many care homes – and particularly smaller service operators – to the brink.

Separate figures suggest that approximately one third of the remaining 18,000 care homes operational across the UK believe that their financial health is at risk, while 13 per cent consider themselves “zombie operators” – a term which applies to businesses that are paying out more money in interest and attempting to cover their debts than they are bringing in revenue.

Mr Green said: “We have had the National Living Wage (NLW), pension auto-enrolment, and significant increases in CQC fees, all of which have been levied

onto the sector without commensurate increases in fees.

“These increases are making care services in both residential and domiciliary care unsustainable and I am particularly worried about the impact on small providers, who may well be forced into liquidation because funding is inadequate.”

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency. We can also offer proactive advice on personal bankruptcy and corporate insolvency. To find out more about our debt management services, please contact us.

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