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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**

The great cost crisis – what does it mean for businesses?

This month it was revealed that inflation had hit a new recent high of 5.5 per cent, as consumer prices shot up. The current rate of inflation is the symptom of a wider issue affecting many businesses across the UK – rising costs.

The current cost crisis is a perfect storm of higher energy and fuel prices, rising wages, increasing supplier costs and tougher trading. The UK is not alone in suffering from this, and to some degree, it is a global issue caused in part by the challenges of the pandemic.

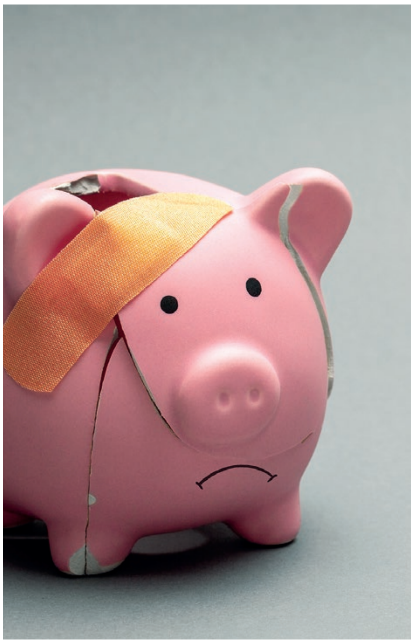
However, the UK is perhaps in a weakened position due in part to Brexit and the complexities and costs that this has added to the supply chain. Combined with a surge in wholesale energy prices it is not surprising that many companies are raising their prices to deal with these issues.

Ahead of us lies further increases in the cost of doing business, not least the impending National Minimum Wage increase and rise in National Insurance Contributions in April. Unfortunately, this is having a domino effect throughout the economy, which is seeing businesses pass on costs to other businesses, who in turn pass it on to other businesses or consumers.

The British Chambers of Commerce has warned the Treasury of the potential problems this could create after its research revealed the fears of many companies. It found that 73 per cent of the 1,000 firms surveyed say they are raising prices in response to rising costs. Of these, more than three out of five cited soaring energy bills as a main driving factor, while 63 per cent cited increased wage bills.

In response to these concerns, the British Chambers of Commerce has called for the Government to take the five following actions:

1. Publish the findings of the Government's Supply Chain Advisory Group and Industry Taskforce and work with businesses to deliver practical solutions to ease the supply and labour shortages that continue to drive the upward pressure on prices.
2. A moratorium, for the life of this Parliament, on all policy measures that increase business costs, including no new business taxes or added regulatory burdens.
3. A temporary energy price cap for smaller businesses to protect them from some of the price increases they would otherwise face, offering the same protection as households.
4. Additional financial support, through the expansion of the energy bills rebate scheme for households to also include small firms and energy-intensive businesses.
5. Delay the impending National Insurance rise by one year to give firms much needed financial headroom to weather this unprecedented surge in costs and allow them to power the recovery.



IF YOU OR A BUSINESS YOU KNOW IS STRUGGLING WITH THE CURRENT COST CRISIS, WE ARE HERE TO HELP. OUR EXPERIENCED TEAM AT NEWMAN & PARTNERS CAN LOOK AT VARIOUS STRATEGIES FOR MANAGING YOUR COSTS OR RESTRUCTURING YOUR BUSINESS TO DEAL WITH THE CHALLENGES AHEAD. TO FIND OUT MORE, PLEASE CONTACT US.

Insolvencies more than double in the last year

The latest monthly insolvency statistics for January 2022 released this month show that the number of business insolvencies has doubled in a year. According to the Insolvency Service's latest data, the number of registered company insolvencies in England and Wales totalled 1,560 last month, up from 758 in January 2021.

Despite the sudden jump in insolvencies, the latest figures show that the number of business failures is only slightly higher than pre-pandemic corporate insolvencies in January 2020, which totalled 1,508. It is part of a growing trend over the last few months that have seen insolvency levels rise incrementally.

Prior to the latest results, figures for December 2021 showed there were 1,486 business insolvencies during the month. This was 20 per cent higher than the number registered in the same month in the previous year, and 33 per cent higher than the number registered two years previously.

In the preceding month, there was already a growing number of insolvent businesses. In fact, data from the Insolvency Service shows that the number of registered company insolvencies in November 2021 was 1,674 – higher than in December. Again, this was 88 per cent higher than the number registered in the same month in 2020 and was 11 per cent higher than pre-pandemic figures from November 2019.

November last year marked the first time since the beginning of the pandemic that the monthly number of registered company insolvencies was higher than pre-pandemic levels – a trend which has continued since. The removal of much of the Government support, combined with the Omicron restrictions over Christmas, seems to have played a big part in some recent company failures.

According to the statistics for January, creditors' voluntary liquidations (CVLs) played a significant role in the rising figures. Use of this type of insolvency measure was more than double the number in January 2021 and more than a third higher than in January 2020.

The Insolvency Service added in its latest update: "Numbers for other types of company insolvencies, such as compulsory liquidations, remained lower than before the pandemic, although there were more than twice as many compulsory liquidations as in January 2021."

IF YOU OR A CLIENT REQUIRES ASSISTANCE WITH THEIR RECOVERY OR IS CONSIDERING SOME FORM OF INSOLVENCY IT IS IMPORTANT TO ACT SOONER, RATHER THAN LATER. PROMPT ACTION CAN MAKE A SUBSTANTIAL DIFFERENCE TO A BUSINESS'S POTENTIAL SURVIVABILITY, SO CONTACT US TODAY.

Political affiliations linked to Government bailouts for debt-ridden companies

A new study from researchers at the University of Exeter and Loughborough University has found strong connections between Government bailouts and businesses that have politicians on their boards. This new academic paper, *'A very British state capitalism: Variegation, political connections and bailouts during the COVID-19 crisis'*, has taken a deeper look at the relationships between big businesses and financial support delivered during the pandemic.

The new study looked at all 1,920 publicly listed companies in Britain and compared those that received Government financial support during the COVID-19 pandemic and those that did not. As well as finding a link between politically affiliated companies and support, the research showed that firms that were part of a large group or were owned by large numbers of shareholders were also more effective at securing bailouts.

Similarly, labour-intensive firms and firms from harder hit sectors were also found to have a better chance of receiving state money than their peers. Unfortunately, for those without the connections, resources or in the right sectors, the last two years will have been tougher, based on this report's finding.

Despite a pledge from the Government to distribute funding to those most in need, the study suggests that some of the COVID-19 assistance was unevenly distributed across the nation's numerous business sectors. Transport, hospitality and support services such as renting and leasing, tour operators, security, and office support were perhaps the hardest hit and so they seem to have had the highest probability of receiving COVID-19 financial aid.

Many of the Government schemes were intended to support those businesses with the strongest prospect of survival and prohibited some businesses at risk of insolvency. However, the study shows a correlation between companies that had run up excessive debts and had a political figure on their board, who seem to have enjoyed an increased likelihood of getting Government financing.

One of the authors of the report, Dr Anna Grosman said: "Our study and recent events would suggest that British capitalism has assumed at least some of the features of crony capitalism – more typically associated with emerging markets – whereby taxpayer's money is used towards private vested interests that can include both businesses and members of the Government. The British state has assumed a very diverse role in the economy over the years, and at times, more visible and extensive, as is the case presently. Questions arise as to whether these features of crony capitalism are there to remain after the crisis or are they temporary adjustments that were necessary to accelerate the process of recovery."

MANY BUSINESSES ARE NOW HAVING TO REPAY MUCH OF THE SUPPORT OFFERED TO THEM DURING THE PANDEMIC, ALONGSIDE OTHER DEBTS ACCUMULATED DURING THIS PERIOD. IF YOU KNOW OF A BUSINESS THAT IS HIGHLY INDEBTED AND REQUIRES SUPPORT WITH INSOLVENCY OR RESTRUCTURING, PLEASE GET IN TOUCH WITH US.

Newman & Partners Insolvency
Lynwood House,
373/375 Station Road,
Harrow, Middlesex HA1, 2AW

T: 020 8357 2727
F: 020 8357 2027
E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

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