

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

How a hard or no-deal Brexit could affect trade with the EU

The imposing shadow of Brexit looms ever closer, disrupting many things in its path. From immigration to employment, seemingly nothing is safe from the reach of its ubiquitous tendrils.

The terms hard Brexit and no-deal Brexit are thrown around a lot but what exactly do they mean, and how could they affect perhaps the most pressing of issues, the economy?

Hard Brexit

For those that keep hearing the term but now feel that it's too late to ask, hard Brexit refers to a scenario in which the UK leaves the EU, along with both the single market and the customs union. 'Hard Brexiteers' are of the mind that the UK remaining in either would make it a "vassal state" of the EU.

A study late last year found that due to the effect a hard Brexit would have on the ability to move goods, services, money and people freely between countries could halve the UK's trade with the EU. The IW institute in Cologne warns of a potentially £13.5 billion worth of annual tariffs could be incurred on companies in the EU and the UK. It's suggested that the most severely impacted by this would be Germany, who have been estimated to lose out on 57 per cent of the exports they currently have to the UK.

The Governments negotiations and the much-lauded deal obtained by the Prime Minister will deliver something similar to a hard Brexit by allowing for some form of trade arrangement, while still delivering on other areas such as limiting the free movement of EU citizens and restoring some elements of national sovereignty. A hard Brexit of this type would lead to an estimated 2.8 per cent tariff that Brussels



would impose on around £151 billion of exports, costing the UK £4.6 billion more than under current rules, according to recent research. The UK, conversely, could end up receiving a 3.6 per cent tariff on the £264 billion worth of goods exported from the EU.

No-Deal Brexit

A no-deal Brexit refers to the scenario in which the UK leaves the EU with no predetermined arrangements in place as to how the movement of goods, service and people should be policed other than those provided by the existing framework of the World Trade Organisation (WTO).

Similarly to a hard Brexit, a no-deal Brexit would prevent the frictionless trade from the UK, across the English Channel, to the EU. The difference here is that without any sort of arrangements in place, this would happen instantly. The 2.6 million trucks that the port of Dover sees pass through every year would all need to be checked, causing gridlocked

traffic and delayed deliveries, which would have a significant knock-on effect on UK manufactures and suppliers, many of whom rely upon a 'just in time' delivery model.

Political machinations in Parliament change as frequently as the wind, studies produced by the Government indicate that the UK economy would be 3.9 per cent smaller under the current deal, but could shrink by up to 9.3 per cent in the event of a no-deal Brexit.

If the prospects of a weaker financial future for some sectors concerns you, or you feel that your business could suffer as a result of the UK's departure from the EU then it is essential that you contact us sooner, rather than later. We appreciate that many businesses have already been affected by the uncertainty of Brexit during the last two years and may already be feeling the strain. To find out how we can help you, speak to our experienced team of insolvency specialists.

British Chamber of Commerce survey suggests a static UK economy and growing issues with cash flow

In the most recent quarterly economic survey from the British Chambers of Commerce, the UK's economy appears to be in something of a slump.

The 'largest private sector survey of business sentiment and a leading indicator of UK GDP' has suggested that business confidence and levels of growth are remaining at a consistent level. A total of 6,000 firms are involved in the survey, the results of which indicate the uncertainty that Brexit has wreaked has caused the economy to stagnate. Growth in domestic sales and orders have slowed, price pressures continue, and difficulties in recruitment are at almost record highs. The survey has shown that firms are facing an increase in pricing pressures. Manufacturers are also expected to raise their prices in droves, three times as many as the average before the UK voted to leave the EU. The lengths to which the labour shortages have become an issue are

accentuated by the survey. A whopping 81 per cent of manufacturers that advertised roles at their businesses had trouble finding someone who could fill the role, the highest percentage since the survey began in 1989. There was a similar 70 per cent in the service sector with the same issue, a mere two per cent less than the previous quarter which broke records at 72 per cent.

The service sector also recorded particular issues with cash flow during this period, with only a small percentage of respondents reporting improvements in their cash flow when compared to the previous quarter's study. The manufacturing sector also reported an ongoing issue with cash flow describing the current situation within the industry as "weak".

The Chamber of Commerce has implored politicians to exit from the EU with as little discourse as possible. An amicable split from the EU would foster the confidence of British businesses and the rules for trading between the UK and the rest of the world will become clear.

Reports that companies across the UK continue to struggle with cash flow is concerning, particularly as it can be an early indicator that a business is in financial difficulty. If your company is experiencing extended periods with poor cash flow it is essential that you seek professional advice. If you would like our experienced team at Newman and Partners to assess your cash flow situation and advise on a range of remedies, please contact us.

UK MPs support fining businesses for late supplier payments

In a sample of 100 MPs made up of all political parties, 73 want to see the introduction of fines incurred on companies who fail to pay their suppliers within 30 days.

The proposal was put forward by the Business, Energy and Industrial Strategy (BEIS) committee in December of last year and calls for the voluntary Prompt Payment Code (PPC), which was originally introduced in 2012, to become a compulsory legal requirement for big businesses. With just under three-quarters of MPs surveyed showing support for a limit of 30 days on businesses with more than 250 employees.

Currently, businesses have 60 days to pay their suppliers, this is policed by the Prompt Payment Code Compliance Board, who monitor for any breaches in the code. However, the system as it stands does not currently penalise businesses financially and it is reportedly not heavily enforced.

Paul Uppal, the Small Business Commissioner has proposed new "traffic light" system, which will warn smaller firms about businesses that have a poor record of paying suppliers on time, and those likely to set longer payment terms. He believes that this will allow small businesses to make informed decisions on who they do business with, as further moves to improve the late payment problem get underway. It is not yet clear whether this system will be formally adopted.

If you are struggling with the financial impact of late payments, do not delay, speak to our experienced team of insolvency professionals today. We have spent years working with a wide range



of businesses to help them resolve their problems, including late payment and the issues associated with it.

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