

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

Cash flow is trending – why it matters to you

What is the key issue that businesses are facing at the moment? Is it the ability to recruit top talent? Is investment required to launch new ideas and innovations? New data from Google might be able to help, as it reveals its top searched-for topics among small businesses in 2022.

Perhaps it should come as no surprise, but one of the top searched phrases among businesses during the cost-of-living crisis in 2022 was cash flow problem solutions. This search term saw a year-on-year increase of 136 per cent compared to 2021. Following just behind were business cash flow problems (120 per cent up) and cash flow issues (80 per cent up).

It is hard to deny that cash flow problems have been exacerbated in the last year by the general economic malaise that has hit, not only the UK but much of the world. Although the latest GDP data from the Office for National Statistics show that the country has avoided a technical recession, the reality is that growth was still only 0.1 per cent in November last year.

Inflation has also fallen to 10.5 per cent in December from 10.7 per cent in November and 11.1 per cent in October. This reflects a fall in the price of some goods, such as fuel, but this drop in inflation is not reflected across all costs and is still far higher than the rate of inflation pre-pandemic.

With prices still considerably high in many key areas, predominantly energy, many businesses not only see more money exiting their business each month but also have to deal with many of their customers paying later as they grapple with other costs.

Cash flow problems can be difficult for businesses to manage, and it is important to have a plan in place to help maintain cash flow. Here are five tips to share with the businesses you support to improve cash flow:

- **Improve Invoicing Practices**
Businesses should invest in professional invoicing tools and streamline the payment process with timely communication, clear terms, and automated reminders. Doing so will help ensure payments are received promptly. Additionally, offering discounts for early payment may incentivise customers to pay sooner than expected.
- **Collect Unpaid Invoices Quickly**
Businesses should actively follow up on unpaid invoices as soon as possible. Contacting customers about their overdue payments quickly can prevent late payments from becoming too large of an issue or causing cash flow issues down the line.
- **Negotiate Payment Options with Customers**
Businesses should consider offering alternative payment options, such as more flexible payment plans or instalment plans for larger invoices. This may encourage customers to pay on time and make cash flow management easier for the business.

- **Increase Prices Strategically**
Increasing prices strategically can help improve cash flow without necessarily affecting customer volume or satisfaction too drastically, especially if businesses offer additional value along with the price increase or offer discounts over long-term commitments or extra services.
- **Monitor Cash Flow Regularly**
Best practices include tracking cash flows regularly and establishing a cash reserve to avoid insolvency due to unexpected cash shortages caused by late payments or other financial losses.

If cash flow is a problem within any of the businesses you work with our team can help your clients to assess and improve their financial position. To learn more about our insolvency and business recovery services, please **contact us**.



The IVA rules are changing - what referrers need to know

Accountants should ensure they are aware of the changes to the Statement of Insolvency Practice relating to Individual Voluntary Arrangements (IVAs). By understanding and preparing for these changes, accountants will be able to provide more comprehensive advice and support to their clients when referring them to insolvency practitioners.

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From 1 March 2023, a revised version of Statement of Insolvency Practice 3.1 – Individual Voluntary Arrangements (SIP 3.1) will be implemented. This change follows consultation with HM Revenue & Customs, the insolvency service, creditor representatives and the insolvency profession, which has led to the approval of the changes by the Joint Insolvency Committee (JIC) and the Recognised Professional Bodies.

These new changes primarily relate to insolvency practitioners' (IP) obligations to

ensure that debtors have received suitable advice before entering an IVA and ongoing guidance throughout the process. It requires that debtors are fully aware of other debt relief solutions before agreeing to an IVA and have sufficient time to consider the consequences of using this option before instructing an IP to prepare an agreement.

As part of this process, where a debtor is referred to an IP, it is the responsibility of the IP to be aware of the scope of the advice previously provided to a debtor by collecting suitable evidence. As such, IPs need to discover where referrers that have advised the debtor are FCA authorised or exempt for debt advice purposes and document their status.

If IPs identify that there are shortcomings in the referrer's guidance, they must ensure that they provide appropriate advice themselves. The changes also call for greater

information to be provided to creditors and expect a focus on providing tailored information and advice relevant to the debtor's particular circumstances rather than relying on generic explanations or standardised guidance.

In light of these changes, where accountants or other advisers use the services of IPs, it may be beneficial to record clear evidence of the IVA process and insolvency advice offered, prior to instruction.

To get ahead of the curve, we recommend taking a proactive approach and reviewing existing policies or procedures now to identify any gaps which may need addressing as a result of these changes.

If you would like further information on how the recent SIP changes could impact your work with clients, please **get in contact with us today**.

Businesses will see energy bill support cut

This month the Government announced its new energy bill scheme discount for businesses, which will see a substantial reduction in the financial support offered. The current arrangements cap gas and electricity bills for businesses so that if prices rise above a certain threshold the Government helps to pick up the bill.

However, from 1 April a new discount will apply to wholesale energy prices and the cap will be eliminated. That means if wholesale prices continue to rise, it will be businesses that bear the brunt of price rises.

The unit discount of up to £6.97/MWh for gas and £19.61/MWh for electricity will be applied automatically to all eligible non-domestic customers who have a contract with a licensed energy supplier.

As mentioned, the discount is subject to a wholesale price threshold, set with reference to the support provided for domestic consumers, of £107/MWh for gas and £302/MWh for electricity. Due to this, businesses with energy costs below this level are not eligible for any support.

This change has been made by Chancellor Jeremy Hunt to end, what he called, an existing support package that was "*unsustainably expensive*". The new package of support will cost the Government £5.5 billion a year to run, in comparison to the existing system which has run up a bill for the exchequer of £18 billion over six months.

This change is likely to load even more costs onto the operations of businesses, particularly those that have high energy usage. As a result, they are likely to see further constraints to their cash flow and this will, inevitably, restrict growth.

If you have clients who are already struggling with their energy bills or with their cash flow generally, we can help to review their financial position and offer recovery and restructuring advice. **Contact us** for further advice.



CAREFUL CONSIDERATION IS NEEDED BEFORE TAKING OUT ANY FORM OF FINANCE AND SPECIALIST ADVICE SHOULD BE SOUGHT. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT US.

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