

# 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](mailto:insolvency@newmanandpartners.co.uk)

### Lessons from the collapse of Jamie's Italian

**Jamie Oliver's restaurant group has gone into administration and the business's failure is expected to lead to the loss of more than 1,000 jobs. The group includes the Jamie's Italian chain, Fifteen and Barbecoa restaurants. It is thought that out of the 25 restaurants that currently exist within the group only three will continue to operate.**

The closure of Jamie's Italian is part of a wider trend within the hospitality, food and drink sectors, where it is estimated that up to 15 restaurants a week go under. A decline in customer spending brought on by changes in tastes is thought to be part of the issue with chain restaurants such as Jamie's Italian, as well as the rise of online ordering services such as Deliveroo.

The sudden change in fortunes for chain restaurants comes after a decade of growth for the restaurant sector, but data shows that the number of restaurants contracted for the first-time last year.

The fastest restaurant closure rate of 2.8 per cent has been recorded in southern England, with London seeing a closure of around 1.3 per cent of its restaurants in the last year. In the north of England, the closure rate is just 0.4 per cent, while in Scotland, more chain restaurants were opened than closed last year, according to data firm CGA.

During this 10-year period, rent rates grew quickly as chains attempted to buy up prime High Street properties as part of their expansion, which in some cases led them to overpay for spaces and left them burdened with onerous costs that they cannot meet.

Restaurants also face tighter profit margins due to rising food and staff costs, while uncertainty over Brexit has knocked value off the pound that has further



reduced consumers' spending power while also increasing the cost of importing food and drinks.

Karl Chessell, Business Unit Director for food and retail at data firm CGA told the BBC: "The difference is this huge increase in the supply of the market. Unless you know your customers really well, there's a pretty crowded market."

As well as fiercer competition, food price inflation, staff costs and business rates have all added to the pressure eateries face, he confirmed.

Paolo Aversa, Senior Lecturer in strategy at Cass business school, has also shared his thoughts with the BBC. He said: "I think the problem is the market has changed and Jamie's Italian has not been able to respond quickly enough. A lot of

hype was connected to his persona."

He added that customers were looking for something new and healthy, which big chains like Jamie's struggled to offer due to their commercial requirements to offer a consistent menu across the chain that appeals to differing tastes. Value for money, a slew of competitors in the market for Italian food, and demand for new experiences through pop-up restaurants were also factors that affected the collapse of Jamie's restaurants.

By extrapolating the example of Jamie Oliver's restaurant group and looking at the wider picture within hospitality, it is clear that this is a sector that is under immense pressure. If you are aware of a business in the hospitality industry that is in need of assistance, please contact the experienced team at Newman and Partners.

# Insolvency Service may ban rule-breaking academy trustees under new agreement

The Insolvency Service has signed an agreement with the Department for Education (DfE) to “proactively disclose” information about academy trusts to help both departments identify and potentially ban trustees and directors who are breaking the rules. The new memorandum of understanding (MoU) will focus on sharing details of misconduct, investigations and enforcement within each of their respective remits so that appropriate action can be taken.

Under the current rules, the DfE can already ban individuals from serving as school governors or academy trustees, but it cannot take further action outside of the education sector. This means that those banned from being directors of academy trusts due to poor financial management can still be directors of other companies not involved in the running of schools.

However, under the new system, the information could be used by the Insolvency Service to monitor and

potentially ban people from serving as trustees or directors within other organisations. In return, the Insolvency Service will under the MoU let the DfE know if potential school trustees are suspected of foul play within other organisations or companies.

The move comes after the Head of the Education and Skills Funding Agency (ESFA), Eileen Milner, said that she intended to “test the powers” the government has to sanction governors and trustees. Milner told the parliamentary

public accounts committee the ESFA hoped “to uncover in a systematic way the names of people who under their watch irresponsible things happen” and prevent them from joining other boards, or even disqualifying them as directors.

The financial management of schools requires a specialist set of skills, both for trustees and professional advisers. We regularly work with the Insolvency Service and can provide advice on banning orders for trustees and directors. To find out how we can help, please contact us.

## FSB reveals business failure is at the highest levels since 2014

New figures produced by the Federation of Small Business (FSB) have shown that the number of businesses who filed for insolvency increased by 6.3 per cent in the first three months of 2019. Both the total number of new company insolvencies, as well as underlying total insolvencies, indicate that the UK is experiencing the highest levels of business failure since 2014.

According to the FSB, the data highlights the “immense strain” that businesses are currently under, with the market conditions being particularly perilous in “labour intensive” sectors, such as construction, administration and retail.

The group, which represents thousands of businesses across the UK, points to rising



employment costs, “unfair” business rates and “significant uncertainty” as the key drivers of spiralling insolvency figures. Late payments in the construction and manufacturing industries have also continued to plague these cash-flow dependent sectors, owing to a rise in insolvencies of 0.6 per cent in the 12 months leading up to 2019.

Encouragingly, however, there was a fall of 8.9 per cent in the number of self-employed individuals filing for bankruptcy in the final three months of 2018, although the total number remains higher than the same period last year.

Commenting on the figures, FSB national chairman Mike Cherry said: “The self-employed community, who are 4.8 million-strong, are still denied basic support in too many areas. FSB’s own research has found that small businesses

are spending around 15 per cent more on the likes of taxes, levies and employment obligations than they were six years ago.”

Mr Cherry added: “Ongoing uncertainty is a critical issue for small firms and the self-employed, and central to this is the unknown nature of what the UK’s relationship will look like with the EU. SMEs are under the cosh more than ever and it’s time that action is now taken to prevent more businesses going insolvent in the future.”

It is very worrying to see such a rise in business failure in the UK during the last three months and there are likely to be many owners out there concerned about their own future. If you would like help with preventing a business’s failure, please speak to Newman and Partners today.

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