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**

Construction sector insolvencies up 20 per cent since Carillion collapse

New figures reveal that more than 2,700 businesses in the construction sector have entered into insolvency in the past year, while the number of insolvencies among UK building firms has risen by a shocking 20 per cent since the collapse of Carillion. The data, which appeared in The Guardian earlier this month, reveals the true extent of the major organisation's fall on the sector.

Carillion was involved in a number of incredibly large-scale projects, both in the UK and internationally. The group's collapse in January has had a knock-on effect on the whole construction supply chain, as well as on numerous contractors and subcontractors. According to the new data, as many as 2,764 construction firms were forced to enter into insolvency in 2016/17 – 780 of which have gone under since Carillion's announced its collapse.

Commentators have described the demise of the company as "sending shockwaves through the construction sector," as the giant firm had some 19,000 employees, many of whom had been commissioned to work on Whitehall-approved contracts to build roads, schools, hospitals and more.

The new figures suggest that the fall continues to have a ripple effect across the sector – which today is facing a toxic cocktail of bad debts and endemic late payments. Immediately after the group's collapse, the number of construction companies falling into insolvency rose from 652 in the fourth quarter (Q4) of 2017 to 780 in the first quarter (Q1) of this year. Since then, more and more firms in the sector have increasingly been grappling with financial difficulties, commentators have said.

Providing the right advice to your clients during a period of financial difficulty is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

New legislation could help the SME cash flow crisis

A series of proposed new laws recently debated in Parliament could help to counteract the 'cash flow crisis' faced by many of today's small and medium-sized enterprises (SMEs), it has been said. The news follows the Government's draft Business Contract Terms (Assignment of Receivables) Regulations 2018, which have been specifically designed to alleviate the increasingly problematic issue of late payments and the worrying effects unpaid invoices can have on struggling businesses.

The intended new rules, which form part of the Government's wider Industrial Strategy, have been put together in an effort to help SMEs get paid by larger organisations sooner. They also aim to eliminate restrictive terms in contracts and enable small businesses to access opportunities such as invoice finance more easily.

At current, small suppliers will sometimes find that their contracts with larger companies prevent them from securing invoice finance – which could otherwise allow them to raise funds by assigning the right to be paid to a finance provider who will pursue late-payers on their behalf.

However, it is thought that relaxing such contractual restrictions will help to improve cash flow for struggling small firms, which can potentially receive anywhere up to 80 per cent or more of the value of each invoice.

The proposed new Business Contract Terms (Assignment of Receivables) Regulations 2018 comes at a time when official research estimates that approximately £1 billion is owed to UK SMEs at any one time. The new legislation dictates that any contractual restrictions of the above nature entered into after 31 December 2018 (with some exceptions) would have no effect and could be disregarded by small businesses and their finance providers, thus enabling them to take advantage of invoice finance.

Small Business Minister Kelly Tolhurst, said: "These new laws will give small businesses more access to the finance they need to succeed and will help ensure they have a level playing field from which to set fair contracts with the businesses they supply."

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues. To find out more, please contact us.

Late payments crisis worsens with less than one in three invoices paid on time

The UK's so-called 'late payments crisis' seems to show no signs of getting any better, with data published in September revealing that less than one in three invoices were paid on time in the second quarter (Q2) of 2018.

According to the research, which was carried out by data firm Dun and Bradstreet, only 32 per cent of payments to small and medium-sized enterprises (SMEs) were received on time in Q2. In the previous quarter (Q1), that figure sat at a very similar 31.2 per cent, the data reveals.

The group's report also points out that larger businesses remain the 'worst offenders', with only a minuscule eight per cent of large firms settling their invoices within agreed payment deadlines. By way of comparison, just over a quarter of SMEs – defined as those with 250 employees or less for the purposes of the study – paid their suppliers on time.

There were two over-arching sectors in particular which experienced a sharp deterioration in timely payments between Q1 and Q2, Dun and Bradstreet found. These were the 'health/education/social' sector and the 'finance/industry/property' sector, where businesses reported a deterioration of 1.7 and 1.4 per cent, respectively.

Commenting on the data, Markus Kuger, a Senior Economist at Dun and Bradstreet, said that the "sheer volume" of late payments today's businesses are facing is proving to be a real problem, particularly at a time when retail sales are falling and Brexit-related uncertainty appears to be never-ending.

"Late payments affect businesses across the sectors and of all sizes and give rise to tighter financial conditions and higher administrative, transaction and financial costs. With continued uncertainty for the foreseeable future, it is likely that we will see further deterioration in prompt payments due to rising headwinds triggered by the Brexit vote," he said.

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency. Such concerns are always best explored at the earliest possible opportunity. To find out more about our debt management services, please contact us.

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