

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

Disability Charities on the brink of insolvency following Government demands to back-pay overnight carers

An estimated 200 charities across the UK are facing an eye-watering bill of approximately £400m in back-payments to overnight care workers. The news comes after the Department for Business, Energy and Industrial Strategy (BEIS) revised its guidance to state that such organisations must now pay the National Minimum Wage (NMW) to staff working so-called 'sleep-ins'.

The move, which followed two landmark Employment Tribunal decisions in relation to unfair pay, has led numerous not-for-profit organisations such as disability charity Mencap to sound the alarm that the Government's demands will push many already-struggling charities into insolvency.

More recently, HM Revenue & Customs (HMRC) has said that it will suspend enforcement action for two months while it works with the sector to "minimise" the impact of substantial back-payments. The Government has also confirmed that it will 'waive' any associated financial penalties in relation to the underpayment of 'sleep-in' staff. However, it is important to note that, despite these announcements, the staggering £400m back-pay bill itself essentially remains.

Derek Lewis, chairman of disability charity Mencap, has stressed that the Government's move – although welcome – fails to address the "critical issue" of the "catastrophic impact" that back-payments alone will have on the sector.

In a final attempt to provide respite to an already-struggling sector, Mr Lewis is calling on the Government to foot the bill in a bid to properly support what he describes as "one of the most vulnerable sectors" in the UK.



He said: "Employers are keen to fulfil their responsibilities to employees. But if the Government changes the rules on how sleep-in payments should be paid it must expect to have to pay for the changes.

"We reiterate our call to Government to accept its responsibility and make an urgent commitment to fund the back-pay bill, for the sake of those vulnerable

people who depend on this care and for the dedicated people who provide that care. Time is running out."

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

Construction sector firms facing significant insolvency risk

A worrying report published towards the end of July suggests that more than a quarter (26 per cent) of British construction sector businesses are 'in danger' of becoming insolvent before 2020.

The research comes at a time of mounting uncertainty, with the UK's future relationship with the European Union (EU) still unclear.

In fact, the report identifies Brexit as the greatest risk that Britain's construction sector firms today face in terms of a potential route into financial distress. The concerns come as European construction companies continue to assess the viability of the UK for commercial projects going forward. At the same time, concerns abound that flustered multinational companies are likely to let go UK offices and subsidiaries before Britain formally leaves the bloc.

The report suggests that businesses operating in the commercial sector are running the highest risk of insolvency and financial difficulty as a result of this complication. It estimates that 32 per cent of companies building commercial properties are facing an 'increased chance' of entering into insolvency at some point between now and 2020.

In comparison, it states that those businesses who work predominantly on residential projects are more likely to stay afloat, due to recent Government pledges to build as many as one million new homes before 2020. Despite this, however, such businesses are still likely to be hit hard by changes to immigration restricting access

to skilled labour once Britain leaves the EU.

Towards the end of July, the Government announced that the free movement of people between the EU and the UK would end in March 2019 – when a new immigration system will be enforced. This suggests that construction companies reliant on EU talent could face a severe blow sooner rather than later.

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

Late payment woes pushing more SMEs into financial distress

Mounting research continues to suggest that the UK's so-called 'late payment crisis' is pushing an increasing number of small and medium-sized enterprises (SMEs) into financial distress.

The latest findings from the Federation of Small Businesses (FSB) suggest that 37 per cent of SMEs have experienced cash flow complications as a direct result of late payments – while the business body estimates that as many as 50,000 SMEs are forced to cease trading every single year.

Worse still, a separate study published by Bacs towards the end of July has revealed that small businesses are now facing more than £2bn in overdue payments. The company, which is responsible for handling direct debit and credit communications in the UK, found that almost 640,000 British SMEs now 'expect' to wait beyond agreed terms for payments.

39 per cent of companies told Bacs that they spend anywhere up to four hours

a week chasing late payments, while 12 per cent added that they had been forced to employ someone specifically to pursue invoices. A further 16 per cent said that their cash flow problems had caused a knock-on effect, preventing them from paying their own staff on time – while 15 per cent said that they were unable to pay energy bills or commercial property rent on time as a result of their late payment woes.

Worryingly, almost one in five SMEs said that, in their current state, being owed an additional figure between just £20,000 and £50,000 would be enough to drive them into insolvency – while a further seven per cent told Bacs that they were already experiencing significant financial distress. A separate study published earlier this year estimated that the act of chasing overdue



payments alone costs small businesses millions of pounds every single year.

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

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