March 2019

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**

Ban late-paying firms from taking on public contracts

Big businesses who pay their suppliers unacceptably late should be banned from getting public contracts, the Scottish Government has been told. Firms would have to prove they "are a responsible payer" under proposals put forward by the Federation of Small Businesses (FSB).

The FSB is calling on the Scottish Government to demand evidence from potential suppliers that they pay smaller companies on time before they are awarded contracts paid for by the public purse. The Scottish government has said it "strongly" encourages prompt payment. The FSB claims late payments have led to cash flow issues at 36 per cent of its members' firms.

Four in five (84 per cent) UK smaller businesses in supply chains say that they've been paid late, according to the FSB's research, while a third (33 per cent) say at least a quarter of payments they're owed arrive later than agreed.

UK small businesses say that 60 per cent of late payments are greater than £1,000 in value while the average value of each late payment owed to a Scottish firm is £5,718, according to the FSB. The FSB survey also suggests that about one in three (36 per cent) Scottish businesses have run into cash flow difficulties as a result of late payments.

According to a similar survey released recently by the FSB, West Central London was the worst part of the country for late payments, followed by Bolton and East Central London – in second and third place respectively.

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

The new insolvency regime: What will it mean for colleges?

A new insolvency regime has come in to force and for the first time it will be possible for colleges to fail financially and be placed into an insolvency process.

The insolvency regime was introduced to provide what the government calls "orderly winding-up and other insolvency proceedings in the unlikely event of a further education or sixth-form college becoming insolvent".

Further education and sixth-form college corporations in England and Wales and sixth-form college corporations in England were not covered by existing normal insolvency law. Following a review, the government has provided higher levels of support for complex mergers via restructuring loans to help higher education organisations.

In fact, an estimated £300 million has been committed by 31 March 2019 to helping colleges and universities. The aim is to protect a public service while creating an orderly process to deal with a situation where the organisation providing that service has run out of money.

The Technical and Further Education Act 2017 ('the 2017 Act') also introduced a special administration regime for the college sector, known as an education administration, which protects learner provision for existing students at insolvent colleges.

A formal legal insolvency process akin to commercial insolvency will take place, meaning a court approves the appointment of an administrator, liquidator or receiver depending on the circumstances.

The Department for Education then has 14 days to step in and suspend these processes by appointing an education administrator, who would have a duty to avoid and minimize disruption to students as well as to secure the best outcome for learners.

Providing the right advice to your clients when they are struggling is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. To find out more, please contact us.

Restaurants and pubs in risk of closure due to rise in insolvency-costs

A rise in restaurant and pub groups entering insolvency drove a 31 per cent increase in Government pay-outs to lay off staff last year, more than £298 million paid out to affected employees.

The number of food and beverage companies entering insolvency rose 17.9 per cent in 2018, according to analysis from real estate advisor Altus group.

A total of £196 million was paid out in redundancy pay to staff, while £59.8 million was paid out for money that would have been earned by working a notice period. Additional payments included holiday pay, overtime and unpaid wages. Last year saw insolvencies among food and beverage companies increase by 17.9 per cent while retail insolvencies increased by 9.5 per cent

Robert Hayton, head of UK business rates at Altus Group, said: "While business rates are rarely the sole driver for insolvencies, they certainly are a contributory factor and government needs to fully understand the impact of the actual level of this tax on businesses not just for those on the high street but across all sectors. Could lowering the level of business rates actually reduce insolvencies negating these associated costs and the distress caused?"

Altus says this the highest amount paid out of the National Insurance Fund since 2013, driven by a crisis on the high street. It blames a 'perfect storm' of rising costs from business rates, rents and minimum wage rules at a time of falling sales amid uncertainty over Brexit.

Regardless of the circumstances or sector, our team at Newman and Partners can provide help to you if your client is struggling financially. To find out more, please contact us.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

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The matters discussed in this bulletin are by necessity brief and comprise summations and introductions to the subject referred to. The content of this bulletin should not be considered by any reader to comprise full proper legal advice and should not be relied upon.