

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

Interserve pre-pack administration raises questions about jobs and projects

Interserve, an important Government contractor, has avoided liquidation after making use of a pre-pack administration to avoid complete collapse. As one of the UK's largest providers of contractors to publicly funded projects and services, Interserve helps to run many important services, which is why its failure could have led to job losses across the country and disruption to public works.

However, the company has managed to use a pre-pack administration after shareholders refused to back a rescue deal for the company. The deal would have seen shareholder stakes in the business stripped down to just five per cent, with the rest of the business being handed over to the company's creditors in order to write off debts.

To prevent its collapse, Interserve applied to the High Court to go into administration. Soon after its application was granted the administrators for the firm announced that it would undergo a pre-pack administration. This allowed assets to be moved to a new company, Interserve Group, which is under the control of banks RBS and HSBC, and investors Emerald Asset Management and Davidson Kempner Capital.

This move has prevented the complete liquidation of Interserve but has unfortunately led to shareholders seeing the value of their shares significantly reduced, while questions are still being asked about certain projects and contracts that could affect the thousands of subcontractors with which the firm works.

Debbie White, Chief Executive of Interserve Group, said: "Interserve is fundamentally a strong business and with a competitive financial platform in place



we see significant opportunities ahead as a best-in-class partner to the public and private sector."

Considering the firm's pre-pack administration, the GMB union accused the Government of learning "absolutely nothing from the Carillion fiasco and are hell-bent on outsourcing public sector contracts", it said that the latest administration also meant greater uncertainty for contractors in future.

The collapse of Carillion over a year ago shook certain sectors in the UK and news

that Interserve may experience a similar collapse will certainly have worried many. Businesses who rely on public contract work should seek immediate assistance if they believe that Interserve Group's recent restructuring may affect their business.

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.

Last three years see UK insolvencies grow by a fifth

The latest Government data has shown that from a decade low in 2015 the number of UK insolvencies have grown by around 20 per cent. Several factors are thought to be behind this recent increase in insolvencies, including the growing uncertainty surrounding Brexit and changes in consumer attitudes.

In fact, the Government's own report highlights consumer confidence due to a lack of wage growth, product and service price inflation and growing import costs as the biggest factors behind this trend. The one positive in its report was that higher employment had helped to reduce the impact of insolvencies, but recent studies suggest that businesses are now limiting recruitment and investment in staff due to Brexit.

The Insolvency Service figures show that insolvency procedures in the UK rose by the end of 2018, to sit at 17,439. In comparison, insolvencies in the UK fell by 39 per cent between 2009 and 2015, despite a small rebound in 2011. The number of insolvencies continued to decline into the first three months of 2016, before sharply rising from 3,591 in Q3 2016 to a high of 5,541 in Q4 2016.

Since then the number of insolvencies has continued to steadily increase with monthly figures failing to fall below 3,500 insolvencies per quarter, while 2018 consistently saw around 4,000 insolvencies every three months – far higher than in the period running up to the record lows experienced in 2015.

Further analysis of the data shows that the UK has seen the use of a greater diversity of insolvency procedures, with only receivership appointments experiencing a sharp decline in use. The greatest rise though has been in the use of Company Voluntary Arrangements (CVAs), which have helped businesses to restructure and avoid administration.

Regardless of the circumstances, our team at Newman and Partners



can provide help to you if your client is struggling financially. To find out more, please contact us.

Pay suppliers on time or risk ban, warns the Government

More than 10,000 businesses across the UK have been sent letters this month reminding them of the rules on prompt payment and advising them that they could be barred from future public work if they fail to comply. Several strategic suppliers and companies that work on public projects or provide Government-funded services have been told to 'clean up their act'.

The new rules, which came into force last year, requires suppliers who bid for Government contracts above £5million per annum to show that they are paying 95 per cent of their invoices within the first 60 days. Those found to consistently breach the rules could be prevented from securing Government contracts in future.

Minister for Implementation, Oliver Dowden, said: "Prompt payment is critical for all companies helping to deliver public services,

particularly small businesses which are the backbone of our economy. That's why, from September, if government contractors are late with supplier payments, they could be prevented from winning public contracts until they clean up their act."

The new measures are part of a campaign by the Government to 'level the playing field for small businesses', which also includes the aim of paying 90 per cent of the Government's undisputed invoices from SMEs within five

days and forcing key suppliers to advertise opportunities in the supply chain worth more than £5 million on the Contracts Finder website. Suppliers that are not being paid on time are also able to raise complaints directly via the Public Procurement Review Service.

Providing the right advice to your clients when they are struggling with unpaid invoices is crucial, and any concerns regarding insolvency are always best explored sooner rather than later. 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

Newman & Partners
Licensed Insolvency Practitioners