

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

Rising energy costs could pose the biggest winter challenge for businesses

As the nights get longer and the days colder, many businesses face uncertainty over their winter fuel and energy cost. Already, many leading brands have indicated that businesses face ruin unless action is taken, including some of the UK's most recognisable hospitality operators, such as KFC, JustEat and Pret a Manger.

If these larger brands are concerned then clearly many smaller, independent owner-managed businesses have much more to be worried about given the potentially higher costs that they face. In fact, two-thirds of SMEs are worried about energy prices, according to YouGov, with 60 per cent already paying higher rates than a year before.

However, this is nothing compared to what some smaller firms, not on fixed rate energy deals, have reported as they claim to face an increase of up to 400 per cent on their annual bills from October. Unlike households, commercial energy users do not benefit from a total price cap and historically have faced a potentially unlimited increase in their bills.

However, things are now changing thanks to the offer of new support. Although the Government has announced additional

support for businesses and individuals, the details are still sparse. So far, we know that The Energy Price Guarantee will introduce a new per unit price cap for consumers, which means saving will be based on usage. For the typical household, this measure will help them to save at least £1,000 a year (based on current prices from October).

It is understood that businesses will also receive a discounted unit cost for gas and electricity for the next six months at the same capped price per unit that households will pay. This will be reviewed after three months and could be extended beyond six months for certain sectors.

While this support will be welcomed, the Financial Times is already reporting that this package is facing delays and might not be launched until November. This has led some British businesses to warn

Government officials that they will struggle if they have to wait longer than households for financial support with their energy bills.

To make matters worse many businesses' current fixed rate energy deals end in October, leaving them with a difficult decision on whether to wait for the new support and temporarily pay higher costs or sign up for a new deal and potentially miss out on lower gas and electricity prices under the new per unit cap.

Given these issues, many challenges and a great deal of uncertainty still lie ahead for businesses when it comes to their energy costs. This uncertainty and potential cost increases are likely to have a domino effect throughout the economy as suppliers attempt to pass on some of their additional spending within the costs of their products and services.

IF YOU OR A CLIENT IS FACING ENERGY CRISIS UNCERTAINTY, OR THERE ARE CONCERNS ABOUT THE SOLVENCY OF A BUSINESS AS A RESULT OF THESE COST INCREASES, IT IS IMPORTANT THAT YOU SEEK ADVICE AT THE EARLIEST OPPORTUNITY. OUR EXPERIENCED TEAM AT NEWMAN AND PARTNERS IS CURRENTLY SUPPORTING A NUMBER OF BUSINESSES DURING THIS CHALLENGING PERIOD, SO PLEASE CONTACT US.



Are you among the thousands of businesses with late payments? It's time to take action

According to new figures, companies were owed almost £23,000 in late payments for a month earlier this year. The new study into late payments found that the average small business experienced outstanding payments of £22,700 in May this year – up six per cent from the previous year.

Late payments have plagued small businesses for a long time and continue to be a key contributor to the insolvency of many firms. When combined with additional new data from accounting software Intuit QuickBooks, the latest late payment figure is equal to 65 per cent of an average small business's monthly turnover. The same study showed that almost two-thirds of invoices owed to small businesses were overdue.

This is having a considerable effect on cashflow and many businesses' ability to effectively trade. What's more, late payments tend to have a cascade effect on supply chains, preventing further payments to other suppliers, thereby compounding the issue throughout the economy. Given the other challenges that businesses face when it comes to costs and inflation, their incomings must continue to match their

outgoings, not only in scale but also in prompt delivery.

In response to the finding, Martin McTague, National Chair of the FSB said: "Many of our members say the eye-watering energy bills could be the final nail in the coffin as they struggle to get through winter. Unlike large corporates, small firms cannot hedge costs and negotiate deals with their large energy suppliers." He added that SMEs didn't have the luxury of waiting for action and that unless something was done soon it "could spell the end for many businesses."

Under the Prompt Payment Code set out by the Government, larger companies are expected to pay most invoices within 30 days to their small suppliers. However, this often isn't the case, with even the payment terms of some SMEs giving other businesses longer to pay. Whilst

these SMEs could charge interest or issue penalties for late payment, many are reluctant to over fears of losing valuable customers.

As a result of late payments and the growing cost pressures businesses face, the Federation of Small Businesses (FSB) has said that many small firms could be forced to shut down if they cannot pay their bills. However, despite these concerns, QuickBooks added that its study found that more than two-thirds of small businesses said they are confident in their financial stability.

IF YOU ARE STRUGGLING WITH LATE PAYMENT ISSUES, WE CAN HELP. TO FIND OUT HOW WE CAN SUPPORT YOUR CREDIT CONTROL AND DEBT PROCESSES, PLEASE GET IN TOUCH.

Rising interest rates threaten debt-laden businesses

Interest rates continue to rise as the Bank of England uses the base rate to try and settle rapidly rising inflation in the UK. While the increase in the base rate may be good for investors and those looking to save, for businesses or individuals with debt it could spell disaster.

The latest data on national economic growth data prepared by the Official For National Statistic, which dates from July, showed that GDP rose 0.2 per cent well below economists' expectations of 0.5 per cent growth. This followed a 0.6 per cent decline in June. In a further portent of the UK's economic decline, sterling fell by as much as one per cent to \$1.1410 this month – the lowest since 1985.

Inevitably, the Bank of England is likely to further raise interest rates as a result. The latest meeting of the Banks Monetary Policy Committee was delayed this month due to the Queen's passing, but further increases to the base rate were expected and are still likely to happen when they next meet.

Many high street banks and other lenders are now following suit on these increases and rapidly increasing their variable interest rates. This means that any debt not on a fixed rate will become harder to service. Many businesses now find themselves not only facing higher energy costs, but also a greater regular financial commitment from their existing debts, many of which were accrued as a result of the pandemic.

However, it is not only lenders that are increasing interest rates. HM Revenue & Customs (HMRC) has also increased the interest rate applied to late tax payments following the latest hike in the Bank of England base rate. The late

payment interest rate increased to 4.25 per cent on 23 August – the highest rate since the height of the financial crisis in January 2009. This is putting further pressure on those individuals and businesses struggling to pay their tax bills in the face of the cost-of-living crisis.

ARE YOU CONCERNED ABOUT THE COST OF SERVICING YOUR EXISTING DEBTS? WE CAN HELP YOU FIND SOLUTIONS THAT GIVE YOU THE BREATHING SPACE YOU NEED TO AVOID BUSINESS FAILURE. TO FIND OUT MORE ABOUT OUR SERVICES, PLEASE SPEAK TO US.

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