



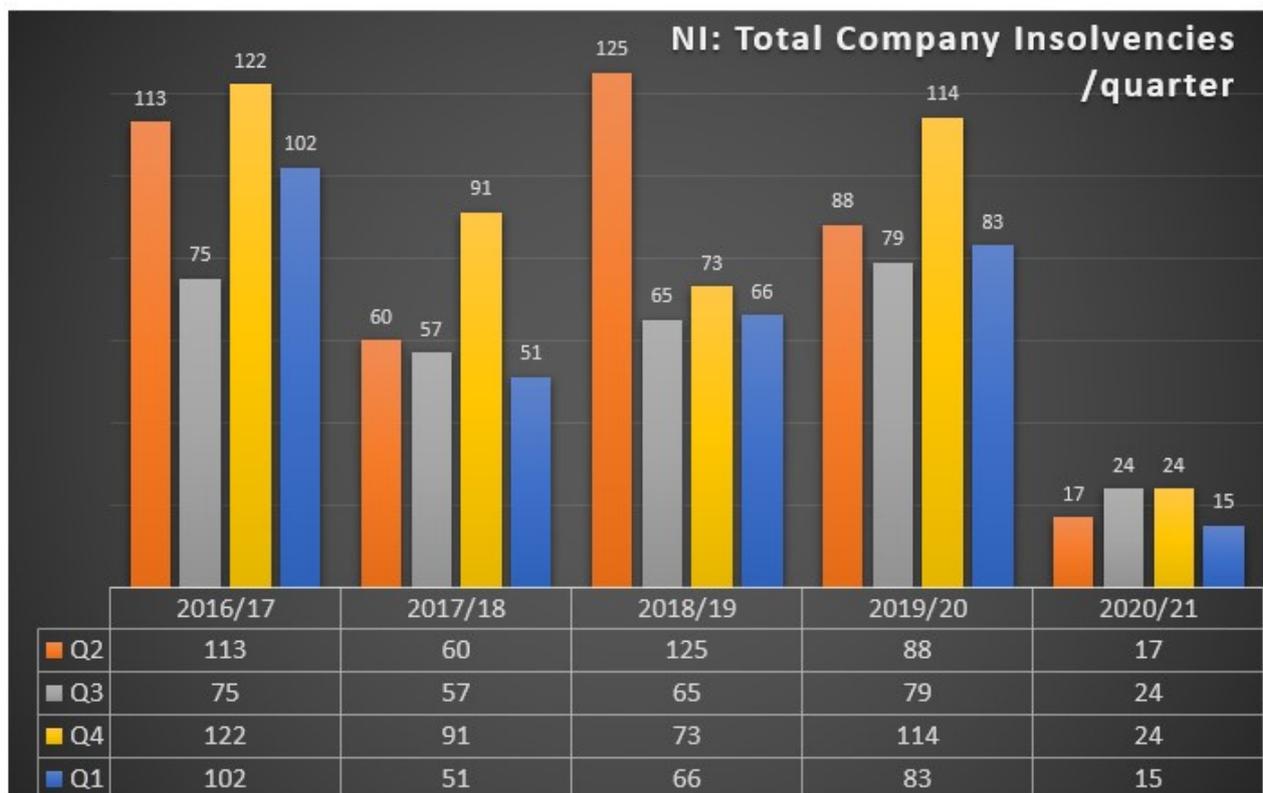
Rescue Culture: Key to NI Recovery

Talk of ‘green shoots’ and ‘light at the end of the tunnel’ is brilliant - at long last we are moving in the right direction. However, working through the Covid crisis has required Corporate NI to expend an enormous amount of financial and emotional capital - business owners, staff, suppliers, funders, and the supporting service sector professionals alike. All of this has taken its toll and sapped the energy reserves out of the business community. People are tired, just at the point where there is an opportunity for the fittest to take advantage of new opportunities.

All businesses operate to a natural life cycle – Start-up, Growth, Maturity, Decline, Failure/Rebound. For some this will be a few months, for others it will be decades or even centuries. In the end, even the strongest will fail because they haven’t adapted to a changed world. Look no further than Kodak, or Woolworths both of which were household names to generations but are now a distant memory.

How can we have a Recession Without Insolvency?

The number of Covid recession driven insolvencies in NI is somewhat puzzling as we have seen a contraction rather than glut of cases arising during one of the worst recessions ever recorded. Undoubtedly business failure has been suppressed due, among other things, to the measures introduced by Government around the “staying” of Court actions, and through various financial support levers (Furlough, CBILS, BBLs, VAT deferral, Time-to-Pay, etc). The stark impact of this is shown in below.



[Source: Department for the Economy, Northern Ireland; Companies House]

Corporate failures from 2016/17 to 2019/20 averaged 265 businesses p.a.. In the Covid effected period Q2 2020 to Q1 2021 there were only 65 failures which, at 25% of the usual run rate suggests there could be 200+ businesses that in 'normal' times would have been subject to an insolvency procedure. These have yet to materialise in our post-Covid, post-Brexit economy.

The potential for an additional 200 business failures is not a huge figure in the context of circa 77,000 VAT registered businesses in NI. All the same, no one can dispute that there are likely insolvency issues in a material number of businesses which will come home to roost as the Courts open, and the triple whammy of Landlords, Banks, and HMRC starting to implement their respective recovery strategies.

Rescue -v- Closure

There is much commentary about so called 'Zombie' businesses – those that are surviving, but only just. The presence of too many of these will hold back the development of a healthy, and vibrant economy. These businesses constrain growth as they perpetuate an underutilisation of:

- Workforce
- Management capability
- Production capacity
- Working Capital

No-one likes to see a business fail, particularly those with personal involvement in the journey from the start. The emotional roller coaster can be horrendous. However, speak to recovery professionals like ourselves at **RFA**, and we will bear witness to the relief that owners and managers have when they finally understand and accept that all alternatives have been exhausted and that some form of insolvency procedure will create a positive purpose for them.

Take Advice, Act Early

There have been great advances in insolvency legislation in recent years with much more emphasis on promoting a rescue culture. The use of Company Voluntary Arrangements (CVAs) for example, is much maligned in the press but can be a very strong restructuring tool to address an issue (such as Covid impacts) and move on.

Perhaps in this post-Covid era there is an opportunity for all of us in the NI economy to show a better comprehension that progress in business is not always linear and that sometimes a sideways step is needed to reset the proposition. Recognising that dealing with a problem shows more management integrity than letting a weak business limp along. This is one part that we all can play in delivering the broader economic recovery in NI.

Help is at Hand

At **RFA** we are clear on our purpose. We are here to support economic recovery in Northern Ireland through the promotion of a Rescue and Recovery Culture. No matter whether it is your business that has the problem, or it is your customer or supplier, having a trusted adviser to help you navigate through the options has never been more necessary. With the help of **RFA** advisors we can guide your business through this transitional phase and deliver the optimal solution for you.

We would be delighted to speak with you.

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