

Construction Commercial Insurance Profile

Third Quarter 2018

Prevent Future Business Collapse by Putting a Stop to Late Payments

The collapse of Carillion, a major construction giant and government supplier, sent shockwaves through the entirety of the industry back in January as a debt totalling £1.5 billion halted the company's ability to provide necessary payments to thousands of businesses. Recent data revealed that SMEs suffered shortfalls averaging between £141,000 and £236,000 as a result. In the months afterwards, the Cabinet Office proposed several changes to prevent late payment problems and meet their goal that 33 per cent of procurement is with SMEs by 2022:

- **Banning poor payers**—The Cabinet Office recently proposed excluding any suppliers with a poor payment practice history from securing major government contracts.
- **Levelling the playing field**—To prevent industry giants from consistently securing government contracts and paying suppliers late, proposals encourage SMEs to bid by requiring contractors to display subcontracting opportunities through a government [website](#).
- **Cracking down**—The Cabinet Office also proposed enforcing stricter policies against late payments to SMEs by splitting up large firms' mega contracts and decreasing the period to complete late payments.

To avoid the risk of receiving late payments within your organisation, make the payment process simple with online payment options, maintain organised invoicing and collection practices, offer incentives for early payment and charge interest on late payments.

Maintain Your Labour Chain: Be Prepared for the Impact of Brexit

EU workers make up nearly 30 per cent of the construction workforce in London, according to recent figures from the Office for National Statistics. With Brexit creeping closer in the diary, such figures showcase the potential damage staff shortages could have on construction companies. To avoid costly turnover and a problematic skills void within your organisation after Brexit arrives, prepare with these guidelines:

- **Generate records for potential shortages**—Be aware of which workers within your organisation will be impacted as a result of Brexit by recording the nationality of each employee in an organised method.
- **Review compliance regulations**—Be sure that your organisation is compliant with Brexit rulings by emphasising the need for your workers to have proper residence documentation.
- **Offer a helping hand**—As Brexit approaches, help your workers determine whether they need to apply for new or additional documentation and offer guidance on the application process.

For more information on managing your risks, contact **Crendon Insurance Brokers Ltd** today.

Late Payments Come with a Cost: The Impact on SMEs

- **Nearly 20%** of SMEs report having to wait longer than 60 days for payment.
- **39%** of companies spend 4 hours a week chasing late payments.
- **20%** of SMEs suffer the risk of bankruptcy if they are owed between £20,000 and £50,000.



Source Bacs Payment Schemes

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