

# A Survival Guide for Sub-Contractors



The ripples from the collapse of Carillion, the UK construction group, have already spread to Ireland. Carillion had been part of the consortium building schools and an education centre in Ireland. Now all of these projects have been thrown into doubt.

But these difficulties will be as nothing compared to the pain that the collapse will cause to the thousands of engineers, architects, tradesmen and technicians to whom Carillion subcontracted work. Many of these will not be paid for the work already invoiced but as yet uncollected. On top of this, work that has been done but which has not yet been invoiced will be impossible to collect, leaving sub-contractors and, in many cases, their suppliers at a loss.

Many of Ireland's sub-contractors and materials providers are still recovering from the 2008 property bust and are not in a position to absorb the sort of losses that will result from Carillion's collapse. They, and the others to whom work is subcontracted need a checklist for survival.

## The Survival Guide:

- Many firms feel overjoyed whenever they land a contract. While this is understandable take care not to enter into one without first inspecting the counter-party's financial statements and credit reports. Do this no matter how prestigious the firm you're dealing with seems to be. Remember that Carillion had all the prestige of a FTSE 100 company but had less than £30m in the bank when it collapsed.
- Check also whether any judgements have been registered against the counter-party or any connected company.

- Cash is always king: insist on stage payments, and look for an initial payment at the beginning of the contract that will offset your initial costs. Be alert to the main contractor's attempts to renegotiate the terms mid-contract.

- If the contract amount is substantial, consider taking out credit insurance. This will protect a sub-contractor if the main contractor collapses.

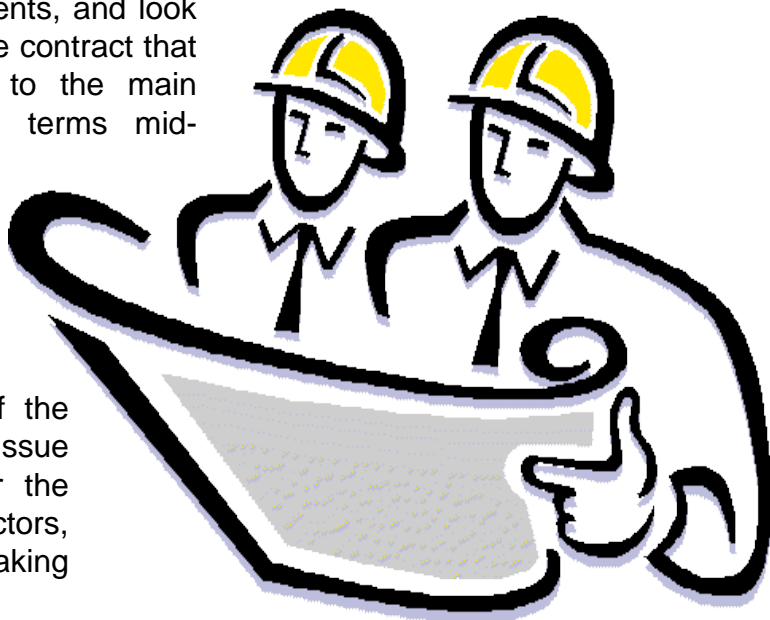
- Stay alert throughout the performance of the contract. Collect debts promptly and issue invoices bang on time. Check whether the contractor is late in paying other subcontractors, or raises spurious excuses to avoid making payment.

- Take note if the main contractor seeks to reduce the amount payable by highlighting unfounded defects or unjustified claims in relation to the works completed.

- Look out for any change in the behaviour of the main contractor. For example, has there been a slow-down in the progress of the works? Is there a general decrease in the volume of labour on the site or is equipment being removed?

- Listen out for persistent rumours about the main contractor's financial position (whether in the press or on the site).

- The earlier that warning signs can be picked up, the better. This will give the sub-contractor a better chance of protecting itself if cash dries up.



## How we can help

Our experienced business advisory team will:

- Evaluate the financial stability of the main contractor from a financial and commercial perspective.

- Review the main contractor's records to see if there are any claims or judgements registered against it.

- Assist in negotiating with the main contractor in relation to pricing and payment terms.

- Advise on the credit insurance options.

- Provide ongoing financial assistance throughout the contract to include invoicing, debt collection advice.

# About McAvoy & Associates

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Founded in 1997, the firm has established a reputation for high quality, partner-led service.

By paying careful attention to clients' individual requirements and by using the combination of expertise, business acumen and initiative we strive to become each client's trusted advisor.

In doing so we work to build strong client relationships that enable us to gain a superior understanding of client needs. By operating in this way we are able to offer our clients more complete advice than they would receive otherwise.

Our continuing growth has been founded on our directors acting as trusted advisors to our clients. Our clients include multinationals, private companies, partnerships and high net-worth individuals.

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For more information on our services, please contact any one of:



**Dara Burke**  
Director Tax Services  
T: +353 21 432 1321  
E: dara.burke@mcavoy.ie



**Shane Carroll**  
Director Business Advisory  
T: +353 21 432 1321  
E: shane.carroll@mcavoy.ie



**Joe McAvoy**  
Director Tax Services  
T: +353 21 432 1321  
E: joe.mcavoy@mcavoy.ie

**McAvoy & Associates**  
3 South Bank  
Crosses Green  
Cork

Telephone: +353 21 432 1321  
www.mcavoy.ie

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