



FINANCIAL STABILITY CHECKLIST

Your checklist for making sure your office design and fit out company is financially sound



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By Paul Newton

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Moving or refurbishing your office can be daunting enough. But once you've decided to go for it, you also need to be sure that the companies working with you will come through for you – particularly in these uncertain times. How can you trust that they know what they're doing? How can you be sure they'll deliver on time, on budget, and without any drama? And, most importantly, how can you be sure they won't go bust in the middle of your project?

This checklist is designed to help you make sure that the contractors you're using are financially sound. After all, if you've made the decision to move or refurbish your office, you should be able to sit back, relax, and look forward to moving into your new space. Worry-free.

Before you commission anyone to design and fit out your office, ask yourself these questions:

How much cash do they have in the bank?

Be nosy. You need to be sure your contractors have enough money to last the length of your project. It's not unreasonable to ask to see their bank balance.

How healthy are their accounts?

Are they a publicly listed company? Are their accounts available at Companies House? Are they audited by a trusted firm? They should be able to show you recently audited accounts – if they can't, think twice about hiring them.

Are they a Limited Liability Partnership?

If they are, how can you be confident in their accounts?

What's their annual turnover in relation to the value of your project?

Take this example. If your project budget is £1 million and the contractor turns over £5 million a year, you could put them out of business by hiring them. There's no way they'll be able to afford to pre-order all the materials, resources and furniture they'll need for the project. So you'll end up entirely funding things. Tricky if you have to delay payment for any reason.

Do they have any bank loans?

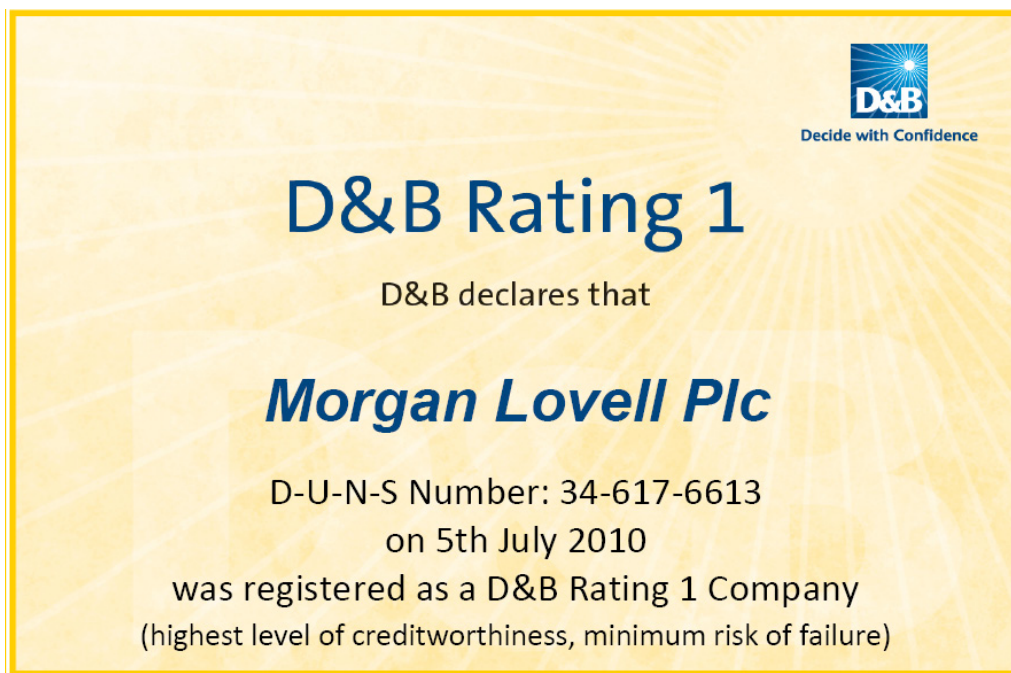
A lot of companies borrowed more money than they should have when times were good. Now that the economy's slowing down, banks are asking for their money back. Check whether your contractor is in this situation, and if they are, make sure they won't collapse trying to pay back their loan.

Do they have a parent company to back them?

Ask your contractors if they have a parent company guarantee, and if that company will back up your project on paper. It's the best way to make sure your project will keep running as planned, even if the contractor runs into problems.

Have you checked their D&B rating? Or any other credit rating?

Almost every business in the UK has a credit rating. A D&B Rating of "1" indicates that a business has a low probability of failure and only 15% of all UK companies make this grade. To achieve a rating of 1 during one of the worst economic times in recent years is a sign of a very healthy company. Always worth checking.



Are they good payers?



How quickly a company pays their suppliers is a very good indication of how healthy they are. Check published league tables, like the one below, to see how they rank.

RegNum	Name	Account Date	Filing Date	Page	Creditor Days	Type	CCI 6yr	CCI 12mth	CCI 6mth	CCI 3mth
1)	02755027	MORGAN LOVELL PLC	31/12/2007	5	10	Company	1	0	0	0
2)	03785833	HEALTH MANAGEMENT (UCLH) PLC	31/12/2007	2	10	Company	0	0	0	0
3)	00088456	INTERSERVE PLC	31/12/2007	49	10	Company	4	0	0	0
4)	03630998	ARTISAN (UK) PLC	30/09/2007	01/11/2007	12	11	Company	1	0	0
5)	01692548	PORTLAND HOMES PLC	31/12/2007	6	12	Company	0	0	0	0
6)	00791017	LINDNER PLC	31/12/2007	4	13	Company	2	0	0	0
7)	05405272	REDROW REGENERATION PLC	30/09/2007	20/11/2007	5	14	Company	0	0	0
8)	02645390	G. STOW PLC	31/12/2007	4	15	Company	0	0	0	0
9)	02095043	CADDICK GROUP PLC	31/09/2007	6	15	Company	0	0	0	0
10)	03089960	CJS GROUP PLC	31/03/2008	7	16	Group	0	0	0	0
11)	SC025130	J. SMART & CO (CONTRACTORS) P L C	31/07/2007	10	18	Group	0	0	0	0
12)	00620180	CE PLC	31/03/2008	3	18	Company	0	0	0	0
13)	02348986	HIGGINS GROUP PLC	31/07/2007	28/12/2007	6	19	Group	0	0	0
14)	00395828	BALFOUR BEATTY PLC	31/12/2007	17	19	Company	8	4	0	0
15)	01340271	DIAMOND BUILD PLC	31/12/2007	8	20	Group	1	1	0	0
16)	00838948	OVERBURY PLC	31/12/2007	5	20	Company	1	0	0	0
17)	00684817	HIGGINS CONSTRUCTION PLC	31/07/2007	30/11/2007	5	20	Company	4	0	0

Do they have projects planned for the future?



You need to be sure any company you use will be in business long after they finish your project. Ask to see their forward order book – if they’re a publicly listed construction company, this will be audited. So you’ll be able to see exactly how much work they’ve got coming up.

Do they have a spread of clients, including public sector?



Public sector spending tends to stay high during tough economic times. So if a contractor has public sector clients and projects planned for the future, it’s likely they’ll be fine throughout your project.

How long have they been in business?



Obvious one, this. But if a company is just starting out, you’ll be taking a much bigger risk by using them. While the economy’s as it is, try to use companies that have a good five years’ trading under their belt.

If you want to be really safe, only use companies that have survived past recessions. So that means companies over twenty years old.

Have they always made an annual profit?



Check the company’s profits as far back as you can go. A company that makes a profit year after year is a healthy one.

Are they financially conservative?



Lots of companies might say they are, but you need to be sure. Try to find out if they over-extended themselves while times were good, for example by opening foreign offices, or if they’ve paid too much for acquisitions.

How healthy is their supply chain?

It's important to know which subcontractors will be used on your project. Ask your contractor for their details and credit checks.

Who owns the company?

Look for publicly listed companies. In hard times, owners of privately owned 'lifestyle' type companies are often tempted to take money out of their business, instantly putting it at risk.

Who are the company directors?

Make sure you know who the directors are, and where they're based. It's no good if they're on the other side of the world and completely unavailable if something goes wrong. So check that the company directors are taking an active role in everything the business does.

Have you met their financial director?

Organise a meeting between your and your contractor's financial director. Your FD will be able to ask all the tough questions about the company's financial state and professionally assess your contractor's health.

Are they a market leader?

Make sure you're hiring one of the top three in the industry. Market leaders tend to do well in recessions, even when other companies are struggling.

Do they have a good track record?

The best way to find out about a contractor is to visit their previous clients. Have a good look at the work they did and ask lots of questions about how the project went.

Do they have framework agreements?

Framework agreements are long-term projects, usually for larger clients. If contractors have these in place, you can be confident they'll stay in business. It might also be helpful to meet their framework clients to have a chat about past projects.

Will they give you a genuine warranty through a Joint Contract Tribunal contract?

If they will, it means they'll take full responsibility for the project. Part of the JCT contract also states they have to put anything 'right' that you're not happy with.

Do they have buying power?

The bigger the company, the bigger the savings they'll be able to negotiate. So when it comes to sourcing materials and furniture, they'll be able to pass any savings on to you. Great if you're on a tight budget.

Do they have 'Perfect Delivery™' or a similar quality scheme?

Find out how they manage quality throughout their projects. They should have people whose only job is to monitor the quality of your project.

Do they have a formal feedback process?

If companies ask for feedback at the end of a project, it's a good sign that they really care about what they're doing. Ask to see feedback forms from previous projects.

Will they guarantee to stick to their schedule?

If building or refurbishing work goes even one day over schedule, costs, budgets and loss of earnings can go through the roof. Make sure your contractor will guarantee the completion date – and that they'll work night and day to stick to it.

Next steps

Want to hear more? For more information about how to check the financial state of your contractors, or to find out about Morgan Lovell's financial stability, call our financial director, Paul Newton, on 0800 028 0945.