

The **Finance Transformation Magazine**

For Finance Leaders

Q1 2023

**Prompt
Payment
Fuels Growth**

Liz Barclay





Finance Transformation Magazine *Invites you to...*



Mindset Drives Change

Thursday 23rd March, London | 8.30am-10.30am



Alex Gregory

Olympic Champion



Trish Lynch

Presenter



Michael Ryan

Finance Leader

***Winning Strategies from Sport & Media
to drive Finance Transformation***

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Venue:
**The Warehouse,
London SW18**



Editorial

Welcome to the Q1 Edition of **Finance Transformation Magazine**, marking 2 years since we launched the Magazine and thank you all for your continued support. This Edition features the UK Small Business Commissioner, Liz Barclay, as we focus on the campaign to ensure Small Businesses are paid on time.

Liz Barclay is joined by **Terry Corby**, Founder of Good Business Pays and **Martin Nel** from Smart Data Foundry highlights the many initiatives in place nationwide to support the UK Small Business Commissioner.

James Blackman highlights the mental health challenges faced by Small Business owners when they are not paid on time. Legal expert **Chris McEvoy-Newns** joins us to advise Small Business owners on how best to approach Contract negotiations.

Double Olympic Champion **Alex Gregory MBE** launches his new Rowing business Fluenta and then joins Media star **Trish Lynch** to headline our first **Breakfast Briefing** event on 23rd March in London.

Finance Transformation Magazine continues to evolve in 2023 and we hope to see many of you in person at our **Breakfast Briefing** events over the coming months, starting on 23rd March in London. Finally we are delighted to expand our Consulting services with the launch of our new Accounts Payable solution **AP∞ONE**.

Many thanks for your support and I look forward to meeting many of you in person in 2023.

Best Regards,



Michael Ryan
Editor



The Finance Transformation Magazine

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Responsible Payers

Drive Economic Growth

Liz Barclay, Small Business Commissioner for the UK, explains why small businesses are the backbone of the economy and how the current Payment Culture undermines this critical contribution and as a result, undermines economic growth.



Small Business
Commissioner

Small businesses are the backbone of the UK economy. How many times have you heard that and agreed?

Why then is it so hard to get small firms a seat at the table, a voice in the debate, treated with respect and paid fairly?

5.6 million small businesses from freelancers and sole traders to micro businesses and those with up to 50 employees are hugely significant.

They may not all want to grow into the next industrial or technological giant but together they are responsible for 50% of employment, 50% of growth and 75% of innovation.

Given the right support they will level up, underpin the drive to Net Zero and lead the charge out of recession. Yet there seems to be a perception that small equals insignificant.

Since I took on the role of UK's Small Business Commissioner 18 months ago, I've strived to push the concerns of small businesses up everyone's agenda.

My core remit is to make sure small suppliers get paid quicker by their bigger customers and to help them resolve disputes if those arise. I've concluded that fair payment practices are fundamental, not just for the small firms but to the UK economy as a whole.

If bigger customers hold onto their cash to safeguard their own businesses, and make the small suppliers wait for invoices to be paid, beyond the due date, how is that fair? That amounts to using your small supplier as a bank for your own convenience.

The inevitable outcome of many overdue payments is that the small business can't pay its own suppliers, bills and wages and is forced to cease trading. There are financial products available to tide firms over and fill the cashflow gap, but those options are not always available or affordable for the smallest businesses.

As a result business and personal credit cards and overdrafts are





maxed out, family and friends are tapped up to the limit and the only person who will lend is the one down the pub with alternative methods of debt collection. Often overdue payments are down to poor processes rather than intention to pay late so those processes need to be updated as a priority to avoid these nightmare scenarios.

Overdue payments aren't the only problem. Some bigger customers flex their muscles at the point of procurement and offer poor payment terms of 60/90/120 days or even longer, on a take it or leave it basis.

Many small suppliers won't negotiate for fear of losing the work. Many take on work without knowing when they'll be paid. Many contracts don't mention payment terms. Many aren't written so if there is a dispute there's no proof as to what was and wasn't agreed. All this amounts to poor payment practices.

Ultimately, whether poor payment culture or poor processes lead to payments being overdue, everyone is harmed. Customers risk losing good suppliers and it costs time and money to find and recruit new ones.

The small supplier goes to the wall taking their wealth of talent and expertise with them and their families, employees, families of employees, local communities and wider society all suffer.

The reputation of poor payers eventually catches up with them and people don't want to trade with them, work for them, invest

in them. Chasing payments costs small firms inordinate amounts of time and money and ultimately many payments are simply written off.

This all adds up to a loss of time and money that could go into planning and investment. That's one glaring reason why the UK has a productivity problem. Is this really what we want for our economy?

“There seems to be a perception that small equals insignificant”

Now more than ever we need to get payments into bank accounts as quickly as possible so small firms have the certainty to invest, innovate and grow.

Good, quick, fair payments are key to growth, productivity and jobs. The other issues that small firms face such as access to funding, competing for skills, the cost of doing business, can be alleviated by knowing when and how quickly payments will be made.

Waiting causes sleepless nights and anxiety. We're hearing increasingly from small business owners struggling with their mental health and giving up once profitable businesses because they can no longer cope. We can't afford to lose those skills and that talent from the workforce.

We need business leaders who put payment practices at the top of the company agenda. Chairs and CEOs

need to ask 'how well do we treat our small suppliers'. Payment practices aren't just an operational issue.

They are about being ethical, building reputation, embedding a strategy of doing the right thing. Payment practices are a governance (G in ESG) issue, a social (S in ESG) issue given the wider social impact and the role in levelling up.

The E in ESG applies too. We won't reach Net Zero unless small firms are in on the act. They won't be if they don't get paid.

For the sake of ESG, the UK economy, wider society, local community, jobs, innovation and growth, let's get our small firms paid quicker. #PayDontDelay #EveryoneBenefits.

And there's the velocity of cash argument... a discussion for another edition. 🔄

About the author:
Liz Barclay

Liz is Small Business Commissioner for the UK and a former freelance small business and personal finance journalist, writer and broadcaster and small business owner. She is an experienced Board Chair, NED and HR and Remco Chair across private and third sector organisations and is an Internal and external Communications Consultant and Trainer, Conference speaker and Facilitator.



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Good Business Pays Instinctively

Terry Corby, Founder of Good Business Pays, explains his motivation to establish it at the start of the Pandemic. He is working tirelessly to recognise and reward those Firms who instinctively pay on time with his Good Business Pays Awards.



In March 2020, the Prime Minister announced a nationwide lockdown to curb COVID-19, closing many sectors and ordering the public to stay at home. At the time, I was Chief Commercial Officer for the Creative Industries Federation.

As theatres closed, film and TV production slowed, music events were cancelled, those in the creative sector suffered and much work was lost. Tales from across the sector of slow and late payment causing small companies to fail began to drift in my direction.

I wanted to help and quickly learned about the brilliant tools and processes that a large company could utilise to pay their suppliers fast. But for that to happen, it would require the support of the CFO at a large company. I spoke to many CFOs in large companies and the responses were almost identical.

“Faster payments to small suppliers – yes that’s very important. We are fine though, it’s everyone else that’s the problem.”

It was then I realised how I could help. This required a hearts and minds campaign, something I understand. In the 1980s, I had worked successfully with major Retailers to campaign for Sunday Shopping and the Sunday Trading Act. I understood the mechanics of a complex campaign to bring about big change.

Good Business Pays was born. I was lucky to have the initial help of a Fintech called Previser, Mastercard and some funding from the Banking Competition Remedies fund to get us started.

At the beginning of 2021, I became the founding CEO of Good Business Pays, quickly gaining the support

of the five biggest business organisations in the UK: **The Federation of Small Businesses (FSB), the CBI, Institute of Directors, Make UK** and the **British Chambers of Commerce**.

Credibility built gave us a route into the **BEIS** and to **the UK Small Business Commissioner**, both of which have been important to our work. The out-of-date, slack regulatory environment around payments has not helped our cause to bring an end to slow payments.

In 2017, when it became a statutory duty for large companies to report their payment practices every six months, 10,000 companies filed reports.

In 2023, around half that number bothered. In the past seven years only 18 companies have been chased because of non-compliance. No legal



action has been taken, no-one has gone to jail. Companies have learned that it doesn't matter if you fail to comply. We are working hard with all parties at Westminster to change this and hope the current **Review of Payment Practices** will see a strengthening of these regulations.

In the meantime, we have focused our campaign on the heroes and villains of payment practice. We analyse this stuff every day and we know what good and bad payment behaviour looks like – and we call both out.

In 2021, we created the **Fast Payer Awards** to recognise the fastest paying big companies. Winners need to pay in 27 days or less (average), pay 95% or more of all their invoices within agreed terms AND deliver these results over a full twelve-month period.

The awards are now in their second year and in November 2022 we were happy to award nearly 300 companies with our award.

However, only 270 out of 5,158 reporting companies qualify, so it's not hard to work out that most companies still take a long while to pay. So, we also call out the worst performers in the press and in our **Late Payers Lists**.

It may sound petty but calling out bad payment behaviour influences change – and fast! In the past 18 months, we have called out some of the slowest payers, including Rolls-Royce Power Engineering, Tui Travel,

“Strong Values and a Culture that really brings that to life is how we achieved paying >98% of suppliers within 30 days”

Nick Potter, CFO Simplyhealth, Good Business Pays award winner

Tennent Calendonian Breweries and Sainsbury's Bank.

As a result, we have seen major improvements in terms of time to pay by all these names, some almost cutting payment time by half or more. All this within a few months. So, we KNOW that changing your payment culture doesn't have to take long.

I also wanted to understand if the fast-paying companies shared other characteristics beyond paying fast. So, we carried out in-depth research of the **100 Fast Payers** we first recognised in 2021, and we did indeed discover some important characteristics that Fast Payers share:

- Fast Payers just get on with it without shouting about it!
- Fast payment is a behaviour set by the CFO and followed by management
- Payment culture aligns with their broader company culture
- Fast payers are led by leaders with many years' experience in their company.

Although they may seem obvious, these findings are important, because they confirmed my

hypotheses that fast payment is a choice. It was heart-warming to see. Because in my two years developing the Good Business Pays movement, I have met many business and finance professionals that want to make that choice. Our role is to create the environment for them to do so, and we are making tremendous progress on that journey.

To read our Report **“Understanding Payment Culture”** or to check the payment performance of any reporting UK company, visit our website, www.goodbusinesspays.com 



About the author:
Terry Corby

Terry Corby is a Board level Executive for over 30 years. He is a former Partner at both Accenture and KPMG. He started his career in the Media before holding Executive roles at Sainsburys, American Express and Creative Industries Federation.



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Transform Your Accounts Payable Process with AP∞ONE

Michael Ryan, Founder of Finance Transformation UK explains how **AP∞ONE** can help large Corporates tackle the challenge of paying Small Business on time successfully. **AP∞ONE** is the new Accounts Payable standard from Finance Transformation UK.



We understand the challenges that large Corporates face when it comes to paying suppliers on time. Business complexity, poor end-to-end processes, new working patterns, and a constantly evolving technology landscape have combined to make this challenge harder than before.

We believe that the key to overcoming these challenges lies in taking a different approach to transformation. Instead of rushing headlong into automation, we focus on defining the “**Exam Question**” as the first step

and proving it with concrete evidence. Our aim is to provide a Triple-A rated approach to transformation, focused exclusively on Accounts Payable and its role within the end-to-end Purchase to Pay (P2P) process.

Our approach is founded on two decades of experience in transforming finance functions in large UK Corporates and multinational Finance Shared Services. We have experienced the myriad of challenges an Accounts Payable team can face, which has allowed us to develop a comprehensive and effective solution.

Our approach leverages our ‘Partner Bench’ of Technology Solutions as appropriate. The key point is that we focus on identifying the core problem and believe that Technology can augment the Solution where appropriate, if required.

Become Triple-A rated:

1. Assessment

We start by assessing your Accounts Payable team to identify both the risks and opportunities. We use our practical operational experience to focus quickly on where the problem lies and define and quantify it for the CFO. We believe that facts are key, and nothing is a problem until proven so.

A large, dark blue puzzle piece is the central focus, with the word 'PAYMENTS' written in white, uppercase letters across its surface. It is surrounded by several white puzzle pieces, some of which are partially visible and have the 'AP∞ONE' logo on them.

The AP∞ONE logo is displayed in a bold, blue, sans-serif font. The infinity symbol (∞) is highlighted in yellow. The logo is positioned on a white puzzle piece that is part of a larger assembly of puzzle pieces.

2. Answers

Our experience-led approach means that we are always evaluating the situation and searching our bank of experience with other clients for all the possible “Answers” to the problem. We present our clients with a range of potential answers based on their culture and appetite for change, risk, and immediate need.

We can be as fast or as measured as you require. In our experience, those “Answers” always require a process change and the ability to deliver on a clear communication plan. Our experience across both finance and procurement at the C-Suite level is key to achieving this.

3. Actions

Our operational experience creates an immediate desire to solve the problem once we have identified it clearly. Our consultants are action-oriented and capable of stepping in to manage your Accounts Payable team.

We lead with organisation and process change, and we underpin this where required with technology. Our data science partner Lumilinks, led by CEO Gary Cole, is key to this.



Award Winners:
Michael Ryan & Martin Kirby



People First: Michael Ryan & Mark Saywell

Keys to Paying Small Businesses on Time

To pay your small businesses on time, it is critical to have a clear end-to-end process, defined roles and responsibilities across finance and procurement, an effective reporting structure, **and the crucial ability to identify a small business within your supply chain.**

At Finance Transformation UK, our focus is always on the strategy first. We understand that there is no one-size-fits-all solution when it comes to accounts payable. That’s why we work closely with our clients to develop a solution that is tailored to their unique needs and circumstances.

“Our Triple-A rated approach to Accounts Payable will enable you to pay small businesses on time”

We focus on the master data available internally to the business and enrich it with master data available externally to the business.

AP∞ONE is the result of combining our experience-led approach to finance transformation with the latest in data science capability.

Our accounts payable solution is designed to give you an accounts payable team that is second to none.

If you are currently struggling to pay your small suppliers on time, then AP∞ONE is the solution for you.

Contact us today on 0203 1466878 



Email Michael Ryan here

The Price of Good Health

Micro Business Owner **James Blackman**, Managing Director of Cocoonfxmedia, explains why the UK's late Payment Culture drives anxiety through the economy and detracts from the beating heart of small business innovation that drives the UK Economy.



Many Micro Business owners say running their Business is a passion. They love it and they wouldn't change it for the world. However, the truth is they're gliding through water like a swan but underneath the legs are weighted and paddling like crazy! This 'love' has one great 'passion killer' and that is always waiting for Payment.

I started my business career in a small company and the owner always said, regardless of your financial situation **'pay your staff and suppliers on time'**. That always stuck with me, and I determined to do the same. As my career developed, I progressed to working for the large Corporates that would prove so challenging when I eventually became a Micro Business owner.

I eventually took the plunge and set up on my own 12 years ago. As I progressed to the second year as a Micro Business owner larger customers were coming on board.

However, contracting with them brought a higher level of pressure than I had anticipated, and I began to realise what it felt to be **'the little guy'** in the Corporate jungle.

Consequently, with no team for back up and to share my concerns with, it started to take its toll on my health. I am sure many owners can attest to this situation and the anxiety of being the 'little guy' in negotiations with large corporate teams, whose policies and procedures can appear faceless, all powerful and unwilling to compromise.

There is a real human toll to such business induced anxiety and I don't need to tell Micro Business owners of the sleepless nights, weight gain, personality impact and the need for some stimulant such as alcohol to keep on going. Its far cry from the 'freedom of running your own Business' and more like a Debtors Prison!

Larger Clients promise greater rewards, but they always bring longer Payment Terms, poor Payment Processes and a complete lack of appreciation of the human impact.

Cashflow management was like a football match, HMRC, my staff and suppliers on one team and the slow paying Clients on the other. It was England RFU versus Lichfield RFU!



Few people understand the mental health and physical health problems caused by not being paid on time. There are no laws to stop this happening and large Corporates can demonstrate alack of awareness and an uncaring attitude.

Many Micro Business owners can attest to the phone calls which request a confirmation of payment date only to be told they are at the back of the queue and that's their tough luck! This is what Micro Businesses and Small businesses face every day.

I finally decided it was time to stop the rot and make a stand. I was a busy fool chasing some invoices and forgetting others, my accounting system was rubbish and I needed help. I decided to switch accounting system, set my payments terms and conditions and make it clear I expected customers to pay me on **'MY payment terms!'**



James as President of Lichfield and Tamworth Chamber of Commerce

I had a new but simple business formula:

1. **Negotiate the Contract**
2. **Take a Deposit upfront**
3. **Final Payment within 30 Days of Invoice**
4. **Automated Email Reminders every 7 days**
5. **Interest charged on Late Payments.**

person doesn't get paid everyone else in the chain doesn't get paid.

The mental health of micro and small business owners is being badly affected by the few poor payers and this puts a strain on the economy, society, local communities, the business owners, employees, families and the NHS.

As a CFO, what would you say if your boss told you your salary would be paid in 90 to 120 days? Could you afford your rent or mortgage. Could you feed your children? Would you still work for that company? How worried do you think you'd become?

Please, treat all Micro Business owners as fairly as you would expect to be treated. 🌱

"Late payment to suppliers causes ill health, it's that simple!"

My new cloud accounting system has a very cool automated invoice chaser, cashflow and business performance automation. It makes it very easy to see when the 'OSINTOT' moment is reached. Want to know what 'OSINTOT' means? Contact me!

As a Micro Business owner, I then become the President of Lichfield and Tamworth Chamber of Commerce. This gave me a platform to start asking businesses why they pay late or offer such long payment terms, and to try to drive some change.

The advice I got was to get tough and start dictating how I want to do business. Hearing this from more experienced Chamber members reinforced my resolve. Now, if you want to work with us, you work to our rules on payment.

Does this work? Most definitely! Now our largest customers pay us in 14 days. The anxiety is over. The average time for invoices to get paid previously was 55 days. Now the average is 30 days, allowing me to invest for growth and the company is in profit.

However, Brexit and the rise in inflation has led to larger companies extending their payment terms to end of month + 90 days. I understand that port delays and increase in shipping costs are demanding but large Corporates cannot use Micro Business owners as their Bank!

The lead weight is late payment of invoices and extended payment terms. Delayed payments hold down and drains the economy. They put stress on the supply chain, If one



About the author:
James Blackman

James is Managing Partner of Cocoonfxmedia, a web design and marketing agency based out of Birmingham and Lichfield. They specialise in designing user-based projects ranging from website design to bespoke software design and Search Engine Optimisation.



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Discover a new way to Row

Double Olympic Champion, **Alex Gregory MBE** talks about his incredible journey to becoming a success and the mental challenges this involved, which eventually inspired him to launch **Fluenta** and share his passion for rowing with you.

fluenta

It wasn't until I was 17 that rowing appeared on my radar. I'd never watched it on TV, I knew no rowers and to be frank I wasn't the least bit interested in finding out either. But, after some persistent persuasion from a school mate, something about the sport took me by the shirt collar and dragged me in.

Downward Spirals

The journey over the subsequent 8 years was closer to a miserable Helter-Skelter than the peaks and troughs of a roller coaster. I found myself on a path of discovery that continued to show weaknesses and failings rather than strengths and successes. Unbeknownst to me I had fallen into a state of mind that trapped me, blinkered me and sent me into despair.

The thing is, I was a good kid. I tried hard, I was committed to something I set out for, to a fault,

which had turned into the pursuit of Olympic Gold. Relatively quickly I found myself competing at World Championship competitions only to fall short time and time again.

I'd found myself in this incredible environment of High performance and success without managing to achieve any of it. I was part of the British Rowing team where nothing but Gold was good enough.

Disaster followed disaster. I 'failed' time and time again, often in quite a public manner. I felt I was letting myself, team and country down year after year. I was on a downward spiral, filled with despair, empty of confidence and intensely anxious. Time to give it all up and "go get a proper job".

Lifeline

Jurgen Grobler, the British Men's chief coach threw me a lifeline. He

gave me an opportunity to support the team as reserve in the 2008 Beijing Olympics. The trajectory of my life changed forever.

Witnessing the Olympic Games caused a paradigm shift and showed me with crystal clarity my **Why**, **What** and **How**. The experience brought purpose to my journey, everything changed.

In 12 months I became World Champion, in 4 years, Olympic Champion at the London 2012 Olympic games and in 8, Olympic Champion for the second time.

Perspective

What was the difference? Everything boils down to people. I'd grown up believing that as a sportsman I needed to be tough, to know what to do, how to do it and to be able to cope. As a consequence, I spoke to no one, not a soul.



Not a single person on the planet knew how I was feeling or what was going on in my head. The result: Pressure, intense stress, fear, anxiety, physical injury and constant illness. The crushing pressure I was putting on myself nearly defeated me...but not quite.

No one can do anything worthwhile alone. I'd isolated myself unnecessarily. To win I needed to allow people in.

I started to talk and I learnt very quickly that:

- 1. Vulnerability** is far from a weakness, it's an immense strength and can become a strong leadership quality
- 2. Honest communication** can change not only what a team thinks but what they produce. Direct results come from effective communication
- 3. Consistency is Gold:** The value of being consistent far outweighs that of the odd exceptional performance. Create a team of consistent people and you become unstoppable
- 4. Help others and you'll help yourself:** The power of service to others is that you become their strengths as they become yours. The team becomes greater than the sum of its parts.

Fluenta

After sharing my journey to hundreds of organisations around the world,

I've returned to the sport with a far deeper understanding of how important mental and physical health is to us all. Rowing is an incredible activity for the

mind as well as the body. Fluenta is my answer.

I've created an online fitness platform for anyone, any age, any experience with any rowing machine!

In a departure from the traditional view of rowing, where the rowing machine is viewed as a bit of a torture device in the dark recesses of the gym, Fluenta brings it to the forefront.

"I was part of the British Rowing team where nothing but Gold was good enough"

We create inspiring, interesting and motivating content, beautifully filmed by our team of **National Geographic filmmakers** turning a rowing workout into an experience. Our catalogue of content is ever growing and we have a range of options available:

On water experiences – Immersive workouts transporting you to some of the most amazing places to row in the world. From your rowing machine you join me in the boat as I we row stroke for stroke together.

Row trips – Designed as an informative travel experience where you get a great workout, while I show you around cities of the world delving into historical and cultural events. A fun escape, allowing your mind to wander while you exercise.

Studio rows – The most comprehensive rowing workouts ever made. These are filmed from

all angles giving you the technique, information and motivation you need to take your rowing to the next level.

Weekday workouts – Filmed from my home studio, I release these twice per week and work towards a specific theme. These are progressive, informative, filled with technical insights, stories and information.

Meditative rows – Lock into the repetitive motion that rowing brings while you travel down beautiful waterways and lakes of the world.

Fluenta is not just about rowing. It's about giving ourselves the best chance in life. My passion is helping people create an environment for themselves that gives them what they need.

Health, fitness, mental wellbeing and happiness at their own pace. This isn't easy, it takes time, commitment and consistency, but no one can really do it alone. I'm here to make that a little more manageable for anyone willing to row with me! 🚣

About the author:
Alex Gregory MBE

Alex is the founder of Fluenta, the online rowing fitness platform. The father of three is a motivational speaker, author and high performance coach.



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Is the Cheque Still in the Post?

Martin Nel from Smart Data Foundry discusses the speed of invoice payments to small business after analysing 58m invoices from the last decade and finding that payment performance has improved.



If you ask a small business owner if they get paid on time, I can pretty much guarantee the answer will normally be “no”. And that’s the common response if you survey business owners or ask for an opinion if invoices are paid on time.

Is it then a surprise to learn that the speed that invoices get paid has significantly improved over the last decade?

The **Small Business Commissioner** Liz Barclay asked **Smart Data Foundry** to help understand the issue in greater detail and we were happy to help. We partnered with **Sage**, the market leader for integrated accounting, payroll and

payment systems, who shared de-identified data on 110,000 micro and small businesses and 58 million sales invoices over the period 2010-21.

1. Invoice payment time has halved in the last decade

The headline findings were not what we expected. Invoice payment time has actually halved in the last decade, falling by over 50% from an average of 81 days in 2010 to 36 days in 2020/21.

2. Two out of five invoices are still being paid late

Don't be fooled that the problem has gone away – over the period 2020-21, 40% of invoices paid to businesses

like these in the UK were paid late (down from 47% in 2010-13), with 12% over 60 days beyond the agreed payment date.

In 2020-21, the average business in the research had carried approximately £22k of late payments outstanding at any time. This is nearly the same as what businesses in the research were owed that was not overdue.

3. Technology has made a massive difference

Invoice digitisation and improved management of late payments through digital tools have been driving factors for improvement. Gone are the days of elongated



paper trails, with payment by cheque and time taken for cheques to clear. Instead invoices are now mainly digital, with the Faster Payments Service enabling instant payment.

A continued focus by successive governments on the issue can also take credit, with the formation of the **Office of the Small Business Commissioner** in 2016 and the **Prompt Payment Code (PPC)**, a voluntary code designed to encourage swifter and better payment practices.

This level of insight has been made possible due to the unique data asset Smart Data Foundry is creating by partnering with UK financial institutions to share data safely and securely. Our partnership with Sage made this research possible.

"While the position is improving, 40% of invoices are still being paid late to UK small businesses"

The analysis also highlighted hotspots by industry, geography and size. **Public Administration, Transport, Storage, and Quarrying are the slowest sectors to receive payment during 2020-21**, while Northern Ireland has the slowest payment time on average by region as of 2020-21 (c.39 days).

This is the first time that data has been used at this scale to truly understand what is happening once a small or micro business issues an invoice for payment of goods or services.

To protect customer privacy, all of the Sage data was de-identified, and accessed and analysed by Smart Data Foundry in the security of our **Safe Haven Research Environment**, a controlled and secure service environment for undertaking data research.

Going beyond the traditional approach of research through surveys and focus groups has allowed us to really understand the issue and show that while the position is improving, 40% of invoices are still being paid late to UK small businesses.

When I spoke to **Liz Barclay**, she was encouraged by the results. Small and micro businesses are crucial to the UK economy, employing nearly two-thirds of the UK's workforce, and are responsible for at least three quarters of innovation, lead the levelling up agenda and are the talent that drives the success of their bigger customers.

This work highlights the issue of late and slow payments. With the soaring cost of doing business, it's more important now than ever to get small firms paid quickly.

When I shared the results with **Paul Struthers**, Sage Managing Director for UKIA, he was similarly encouraged by the findings and the role that Sage is playing to reduce the time taken for businesses to get paid. He recognises that the impact of late payments is not only an issue

for the business and their employees, but also their suppliers and the entire economy.

Sole traders, freelancers and small businesses who struggle to maintain cash flow for their day-to-day business activities because of late payments have an obvious economic impact, but the mental health impact of late payments cannot be overstated. Consistently being paid late causes stress and anxiety for owners who struggle to keep their businesses afloat.

For me, the outcome was a tale of two halves. Knowing that 40% of businesses like these are paid late is a concern for the wider economy as well as the businesses themselves. But understanding that the position has significantly improved over the last decade is extremely encouraging, and, I believe, points the way to future technology improvements.

About the author:
Martin Nel



Martin is the Chief Commercial Officer at Smart Data Foundry. His role is to build partnerships with the private, public and third sectors and leverage our expertise and capabilities to harness financial data for social and economic benefit.



Read our Report



Contract Terms really drive Payment Performance

Chris McAvoy-Newns, Employment Law Solicitor at People Legal, has shared with us his thoughts on how small businesses can protect themselves when contracting with corporate clients to ensure payment and limit liability.



The vast majority of UK private businesses are small 'one person' enterprises. According to the 'Business population estimates for the UK and regions 2022: statistical release', published by BEIS in 2022, SMEs account for 99.9% of the approximately 5.5m business population.

A key challenge facing the typical small business is how to ensure payment when faced with the larger more bureaucratic faceless processes of a corporate client. The small business owner will naturally want the business but must take adequate care at the contracting stage to adequately protect against non or late payment and to limit their liability.

Chris recommends:

- 1. Engage a professional:** You are not a legal expert therefore invest in a solicitor or other appropriate adviser and engage them to draw up the contract(s), review them as appropriate and, where necessary, negotiate them on your behalf prior to any signature;
- 2. Standard Terms:** You are in business to do business so have the solicitor/adviser create your standard terms for you and persuade the client to either accept them or use them as the starting point for negotiations;
- 3. Communication:** The very act of involving your solicitor/adviser in contract discussions via email will establish immediately, to your

potential corporate client, your level of professionalism. If your potential client knows that your standard terms were professionally drafted by your legal team there is a greater prospect of them respecting this and agreeing to them;

- 4. Review:** Any potential large corporate client will have their own Standard Terms, drafted to fully protect themselves, whilst potentially leaving the small business exposed to onerous terms with unlimited damages beyond the cover of their insurance indemnities. It is therefore critical that all contracts are reviewed by an appropriately qualified solicitor or adviser;



5. Risk Assessment: If the client insists upon their **Standard Terms**, you need to understand your potential liabilities and decide whether, bearing in mind those liabilities together with the work involved, and the fee payable, it is worthwhile undertaking the work. It is not just payment terms but potential damages for incomplete or substandard work that must form part of your risk assessment.

6. Limit your Liability: A key liability under these standard terms arises through the use of indemnities. An indemnity is a protection against, or compensation for, a loss or liability. The small business will effectively promise to pay out if a particular trigger event happens and this liability can be unlimited.

Often the small business will be required to give many indemnities, yet the client will give few in return. Common indemnities include indemnifying the client in respect to errors in relation to the performance of the services or breaches of data protection legislation.

"It is not just payment terms but potential damages for incomplete or substandard work that must form part of your risk assessment"

Sometimes these clauses state that the client can make deductions from payments to satisfy such indemnities. Imagine working hard for a month and then discovering you're not going to be paid for such work!

Rather than just sign their standard terms, consideration ought to be given to the losses that the client may suffer if you e.g., inadvertently, and accidentally breach the data protection legislation and the client receives a substantial fine. If you cannot limit your liability in some way then you need to ask the question: is the work really worth it?

Additionally, sometimes these contracts effectively give the



client the right to terminate at their discretion with no notice and no payment in lieu. You may think you have negotiated an e.g. 3 month notice period but, in reality, there may be a vast list of examples of gross/serious misconduct contractually entitling the client to terminate without notice.

If you find yourself lumbered with the client's standard terms, containing a raft of onerous indemnities, the very least you should do is ensure

that you have insurance in place and the liability under the indemnities is capped in line with your insurance.

Be certain to include a clause in the contract making it clear that you'll have no personal liability. Also, contract as a separate legal entity (e.g. a limited company) rather than individually.

Economic Growth

The **UK Small Business Commissioner, Liz Barclay**, states elsewhere in this edition that the small business sector is the engine for UK economic growth. As you succeed in signing new clients you will potentially need to expand your business and create employment.

This is where Chris' expertise can help you further.

Although such growth can be positive, bringing on board individuals to work with you can create challenges and issues to consider. For example: should I engage them as a contractor, or employ them as an employee, or something in the middle?

What protections do I need in my contract in respect to, in particular, confidentiality, intellectual property and post termination competition? What steps do I need to take to ensure there is no discrimination or detrimental treatment in the workplace and what should I do if a candidate or staff members alleges that they have been discriminated against? What liabilities can arise if I let a member of staff go because it isn't working out?

Chris specialises in end-to-end Employment Law processes and can assist with all of these questions. 📞

About the author:
Chris McAvoy-Newns



Chris qualified as an Employment Solicitor in 2008 and has practised in large law firms as well as in-house for FTSE 100 companies. He has been recommended on numerous occasions by Legal 500, is an accredited mediator and a trainer.



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Payments and Cashflow Review

Being a small business owner can be as challenging as it is rewarding. Delivering a great service or product doesn't guarantee a sustainable business. Success, and survival, depends on cash flow.

This is what exercises business owners daily: is there enough cash to pay wages, buy stock, pay creditors? Is there enough left to live on?

When small businesses are not paid by the due date, or feel forced to accept long payment terms, this hampers business growth and affects their sustainability and possibly their viability. This is a significant problem across the UK, particularly at this critical time for the UK's economy.

The Payment and Cash Flow review will set out the issues from the point of view of small businesses. The aim is to review how businesses are held to account for payment practices and look at which sectors are improving and why others aren't, what the barriers are and what the solutions might be.

The review will also examine business behaviours and small businesses' experiences of late and long payments, including:

- the impact of late payment on business sustainability and growth
- the emotional and psychological impacts on small business owners and staff
- business payment culture and behaviours – contracting practices, liquidity, and cash-flow pressures in small and large businesses
- differences in business characteristics and the effect of these differences on cash flow considerations.

The aim is also to examine the effect of existing government policies and make recommendations on how they can work together better and where they can be improved, including:

- the role of the Office of the Small Business Commissioner, including its complaints and dispute resolution function
- the voluntary Prompt Payment Code, to which businesses sign up to commit to paying suppliers promptly
- the Reporting on Payment Practices and Performance Regulations, a requirement on large businesses to report and publish data on their payment performance
- the role of public procurement
- the provision for Statutory Interest on outstanding debts for in scope contracts (Late Payment of Commercial Debts Act 1998).

Other questions include:

- how major banks and lenders might help small business

manage cashflow effectively, and the barriers to small business accessing financing solutions;

- how technology can help across different sectors;
- and how to improve awareness and take-up of the support and tools available and improve understanding of what support and tools are needed at different stages of business.

Stakeholders will be invited to submit written evidence and/or discuss these matters in meetings and roundtables with Ministers and government officials.

This review will be led by the Minister responsible for small business and report to the Secretary of State for Business and Trade. A conclusions document will be delivered in 2023. 

Have your say. When small firms get paid fast and fair and can manage their cashflow #EveryoneBenefits #PayDontDelay



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