

Small Business Horror Story

Everyone likes a scary story at Halloween, right? So are you sitting comfortably? Then I'll begin...

A successful business

Mike owns and runs a successful heating and plumbing business covering most of Scotland and the North of England. With around 120 vans on the road and 30 staff back at HQ, every day is different. Running a company with over a hundred employees is a challenge most days but Mike is proud of the business he has built and his company's reputation in the industry.



He has worked hard to establish a team of skilled and loyal employees who understand the company's aims and take pride in delivering a first-class service to both their domestic and contract clients. He has awards on the shelf and profit in the bank to prove their success.

Mike's finance team comprises of Helen, the company accountant and Steph and Bob who run the purchase ledger, deal with credit control, take care of the monthly payroll and generally look after the financial compliance and reporting obligations of the business. Although the finance team may be small, they are mighty! Nothing daunts them when it comes to keeping the books of the company in order. They pride themselves on year after year of clean reports from the company's auditor.

The perfect storm

March this year was a particularly busy one for them. The end of the financial year for many of their large corporate clients, a bad year for flu and a prolonged cold snap combined to produce, literally, the perfect storm. Snow and ice were a problem for the vans at a time when customer calls went through the roof. The entire team was working long hours to keep the vans on the road and restore heat and water to stranded customers.

Disaster strikes

Early one morning, late in the month, rushing to get a head start on the day, Helen skidded on black ice and crashed.

She was trapped for over three hours in freezing temperatures while her rescuers worked to free her from the wreck of her car.

Once she was transferred to hospital medics advised she would be facing weeks of rehabilitation.

Mike was shocked and upset by the news. Helen had been part of the team for over 15 years and was well liked throughout the company. She knew the business inside out. She was proficient, knowledgeable and 100% reliable but in her absence Steph and Bob would hold the fort.



But Mike didn't completely appreciate the extent to which Steph and Bob relied on Helen. Yes, Bob processed the payroll but Helen kept a watchful eye on small but important details which needed to be taken into account every pay run. Steph would make the calls to customers chasing payments providing Helen kept her on track. Mike should have seen it coming, but they were so busy. He was helping the sales team get three large tenders over the line. They were in advanced negotiations with a client whose contract would take the company to the next level.

Warning signs

The first crack was relatively small but should have been a warning sign. Two teams didn't get their March overtime in their April pay. They were a bit disgruntled but a few reminders about Helen's accident calmed them down and the company gave them a wages advance until it could be sorted out in May's pay. May went fine but by June, Mike was hearing mutterings that staff still hadn't received their P60s – the deadline for employers was end of May. Mike was missing Helen but she was still very ill.

Then Steph, knocking tentatively on his office door one morning, brought him a sizable VAT assessment. With everything that had been going on, they had all missed the filing and payment deadline for the VAT return. Mike picked up the phone to HMRC to try and sort things out.

The domino effect

By August, Mike was desperate. His trades staff were threatening to walk out and he had received a notification from ACAS that one of the call handlers had reported the company for non-compliance with National Minimum and National Living wage rates. Helen kept track of when the NMW rates and Joint Industry Board pay rates needed to be increased – they had missed the rate changes at the start of April and July respectively.

Then came the fine for non-submission of the company's P11d forms. There was a worrying letter from the Pension Regulator too, about missing pension uploads.

Mike was feeling that it couldn't get much worse when the demand for two month's unpaid PAYE and NIC came through. And because credit control had dropped to the bottom of the task list since Helen had been off, the company's cash flow was starting to show the strain.

Mike wanted to be supportive of Helen and make sure she had a job to return to but he knew he had to take action quickly to save the reputation of the company and get cash flow back on track.

Mike recalled attending a Chamber of Commerce event back at the start of the year where he had met Jane, a specialist in payroll and financial outsourcing. At the time, Mike had asked why companies would pay an outside firm to do payroll and provide finance administration support rather than employ their own staff. To him, it didn't seem the best way to do it. Surely it was better to have your own in-house, loyal and experienced team rather than rely on a third party?



Back from the brink

Jane had explained that most employers and directors chose to outsource because it provided them with greater peace of mind. Her firm's strength lay in their collective knowledge and experience. Her team provided a virtual finance department service to clients both for short-term cover and on a permanent basis.

With a team of specialist payrollers and finance assistants, headed up by qualified accountants, Jane's team could ensure more extensive cover than the average small to mid-sized company finance team. Her firm invested heavily in staff training to ensure everyone in her team were knowledgeable in the nuances of payroll and financial compliance across a range of industries.

Using technology to help control tasks and workflow, Jane and her team were able to ensure deadlines and clients' regulatory obligations were met on time. Her business was even able to take care of clients' staff wage and supplier invoice payments, since they were a BACS authorised bureau, and undertook regular credit control for clients too. She had commented that her firm's services were confidential and secure. Mike wanted to keep Helen's position open for her but he knew he needed help to sort things out in the meantime. He logged into LinkedIn to contact Jane to see if she could help turn his nightmare around.

This Halloween, don't be having payroll or finance compliance nightmares. Contact our very own Jane – Elaine Cromwell, Partner in charge of outsourcing for a free, no obligation chat at ecromwell@thomsoncooper.com.

Thomson Cooper

**3 Castle Court, Carnegie Campus, Dunfermline
22 Stafford Street, Edinburgh**

www.thomsoncooper.com

**Tel 01383 628800
Tel 0131 226 2233**