What does Local Loop do?

We help Merseyside B2Bs get paid faster for the sales they make locally. Less stress and wasted time chasing invoices to stay on top of cash flow means better relationships with your customers, and - in turn - the ability to be a better payer for your suppliers.

Sounds lovely and simple, so why is getting paid - and paying - on time for each and every invoice so difficult to manage?

A key problem here is what we call 'payment gridlocks', those stressful situations of having to explain to your supplier "I can't pay because I haven't been paid", only to find that the customers who owe you are in exactly the same situation. All too often, one business' cash flow crunch sets off a domino effect of late payments.

The more trading that happens within a group of businesses, the more the outstanding invoices start to look like a 'debt spaghetti', and the worse the payment gridlocks become. Like a traffic jam at rush hour, this is no-one's fault - just an unintended consequence of local trading that can only be solved with better coordination.

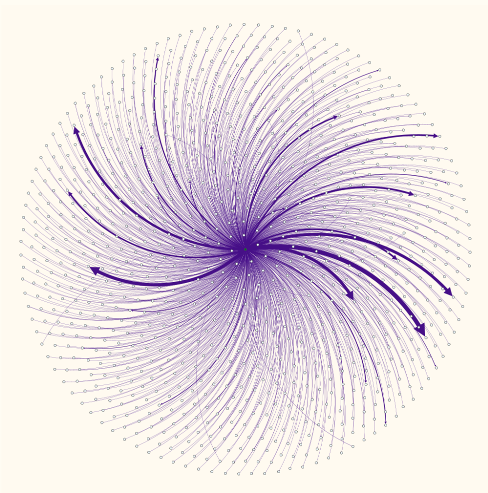
As it happens, there's one group of businesses that knows exactly how to do this coordination - the banks. 'Clearing' has been used by the banks for hundreds of years, and enables them to handle billions of pounds in global payments to each other with minimal uncertainty, delay, and cost.

Supported by local and national government, we've built the Local Loop platform to make clearing available to Merseyside B2Bs of all sizes and sectors. By doing all of the invoice data collection, analysis, and results implementation, we help ensure faster payment for the work your business does, and reduce the stress and hassle of chasing.

To illustrate what all this looks like, we've collected and analysed spending data published by all six local authorities across Liverpool City Region (LCR) for June 2025, and shown that Local Loop could in principle have cleared around £240k for them, just from the debts they owed to each other.

Spending by Liverpool City Council

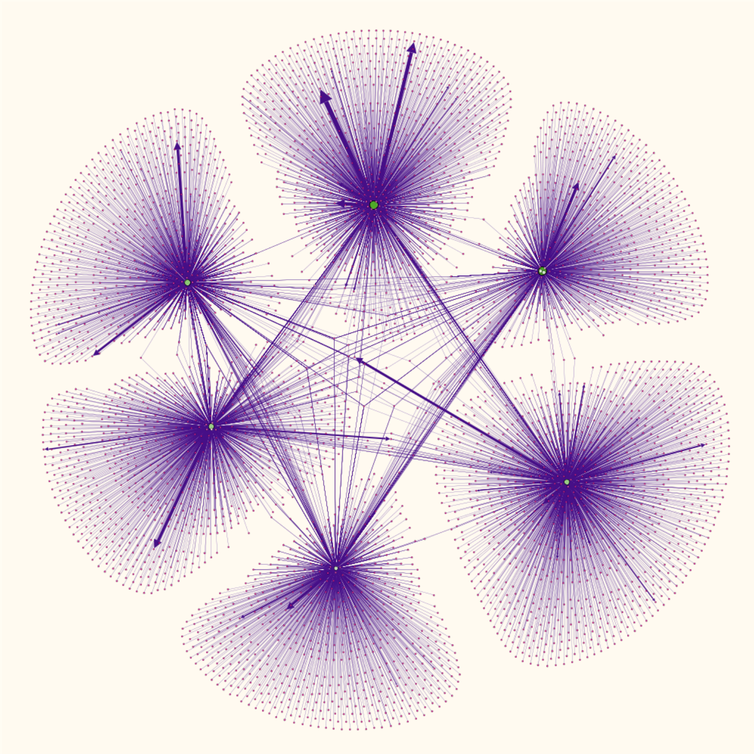
Let's start with just the spending by Liverpool City Council (LCC). This visualisation puts LCC right at the centre, with payments going outwards to 1019 suppliers, each one shown as a small dot.



Each arrow is a net payment - the bigger the arrow, the more money that was sent from LCC to the supplier. The total spending shown for this month was just over £55m.

This is roughly equivalent to how the received invoices of a very large company with lots of suppliers might look, if their accountant decided to visualise the data that's in their accounting platform.

Spending by all six Liverpool City Region councils



By adding in the same data for the other five councils in LCR, we immediately get a sense of how significant public procurement is - total spending (with around 4500 suppliers) was just under £200m.

Clockwise from the top, we can see that Liverpool, Halton, Wirral, St Helens, Knowsley, and Sefton each have their own distinctive set of suppliers (although a handful of businesses in the middle have managed to secure contracts with several of them).

We can also see that the six councils are connected through lots of arrows pointing to each other, suggesting that a substantial amount of money moves around between them. This is similar to how a small set of businesses that do a lot of local trading might find themselves connected through a web of invoices.

Inter-council spending

We can get a clearer view of this inter-council spending by hiding all of the payments to their respective suppliers. This reveals the finer detail, with some interesting features:

1. As might be expected, LCC (top right) is the most connected.
2. Sefton (right) is the least connected.
3. Total spending is £2.2m across 42 payments.
4. This total is dominated by one giant debt for £1.9m from Wirral (top left) to St Helens (left). This is associated with Merseyside Recycling and Waste Authority's (MRWA) services.
5. Most importantly, the connectivity is high enough that multiple 'loops' have emerged, meaning that we can do some clearing!

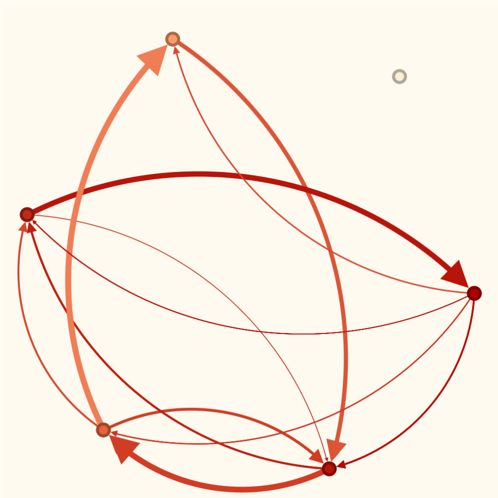
The most obvious example of a loop can be seen at the bottom, where one grey arrow (£74k) curves downwards from Halton (bottom right) to Knowsley (bottom left), and there is also another arrow (£1.6k) curving upwards back from Knowlsey to Halton.

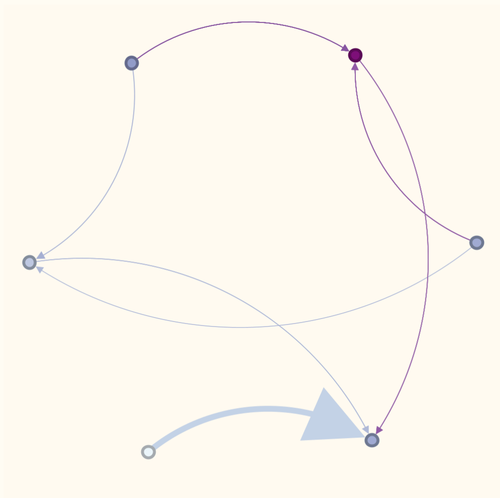
This is a loop of two, and means that - in principle - only one payment of £72.4k (£74k - £1.6k) needed to be sent in order for both debts to be fully discharged. The £1.6k that is common to both could have been cleared (or 'set off' in bookkeeping terminology).

This is just one (very small) loop, and there are many more - some involving more than two councils - hidden within the spending data. It's the job of the clearing algorithm that powers Local Loop to detect them more efficiently than any human could.

Inter-council clearing

Running the clearing algorithm reveals a set of loops containing a total of £241k of clearable debt (11% of all inter-council spending), shown in red in the image below.





Notice how Sefton (now at the top right) does not achieve any clearing, because - as can be seen in the previous image - it only has debt to other councils (arrows pointing away from it), and no credit from other councils (arrows going towards it).

All the other councils have both, and for each the sum of cleared debt is exactly equal to the sum of cleared credit (the arrows are the same size). In a business context, this corresponds to outstanding received invoices being precisely offset by outstanding sent invoices.

As the largest and best-connected council, LCC (now bottom right) clears the most in absolute terms. St Helens clears 100% of its £42.3k debts. The single biggest amount cleared is £35.9k from the £1.9m MRWA-associated debt from Wirral to St Helens, resulting in Wirral clearing a large amount in absolute terms, but very little in proportion to its total debt. The table below has the complete set of results.

Council	Initial debt (£)	Final debt (£)	Cleared debt (£)	Cleared debt (%)
St Helens	42,309.04	0.00	42,309.04	100.0
Liverpool	75,484.84	1,800.00	73,684.84	97.6
Knowsley	41,254.38	9,565.13	31,689.25	76.8
Halton	91,899.89	60,005.21	31,894.68	34.7
Wirral	1,911,898.70	1,850,672.06	61,226.64	3.2
Sefton	20,414.87	20,414.87	0.00	0.0

The other image shows the residual debts that need to be paid in cash. Many of them have been reduced to nothing (and so are invisible), many of the amounts that do remain are significantly smaller, and - most importantly - most of the messy gridlock structure has been eliminated.

Extrapolated across the year, these results from June 2025 could amount to £3m in inter-council debts that do not require ready cash in order to be discharged. In addition to freeing up working capital for paying each other (and of course their thousands of suppliers), this would significantly shrink council balance sheets. Although they each have access to the necessary data, it's very unlikely that the councils would be able to coordinate amongst themselves to realise these clearing opportunities.

The UK's first Clearing Club

The same goes for a group of businesses buying and selling amongst each other, and experiencing the resulting payment gridlocks. The Local Loop platform provides the dedicated analysis and support required to perform clearing at scale. As the UK's first 'Clearing Club', Local Loop Merseyside's ambition is to build the most collaborative economy in the UK.