



Never Better Late:

Public Sector invoice payment practices and the impact on SMEs
in Northern Ireland

Contents

Summary	3
What is prompt payment?	4
Public Sector payment framework in Northern Ireland	6
Reporting of Public Sector Payment Performance	8
Prompt payment scrutiny	11
The FSB NI <i>Prompt Payment Scorecards</i>	15
Recommendations	22
Conclusion.....	25

Summary

Small businesses make up 99% of *all* businesses in our economy. They provide goods and services to others in the private sector and across the public sector - but businesses do not always get paid on time. The result of late payment can lead to immeasurable stress, business failure and a loss of multiple livelihoods.

Public bodies in NI are legally required to pay their invoices within 30 days. There is also a guideline target set by Stormont that aspires to 90% of invoices to be paid within 109 working days. This paper introduces readers to the prompt payment expectations upon, and performance of, those public bodies. It finds that too many invoices are being paid late and therefore makes a series of recommendations. It will be used to stimulate discussion, to understand the issue more deeply and advance the FSB NI aim in this context - simply to ensure small businesses are paid on time.

We are able to get an indication on the scale of the problem by using publicly available data, but it is more challenging to assess the *reasons* for late payment due to a lack of data and publication. Government has long since acknowledged the problem, but the evidence tells us that too many small businesses suffer undue strain and are closing each year because of persistent poor payment practices.

Whilst not impossible, it is more challenging to solve the issue of private sector late payment – but for the public sector, as Government Ministers have said, there is simply *no* excuse. And so, the issue of late payment is therefore a top priority for FSB.

Key findings include:

1. In the year 2021/22 more than 234,000 invoices were not paid on time inside the Public Sector legal requirement of 30 calendar days
2. To varying degrees, all 11 Local Councils in Northern Ireland are failing to meet their legal target of paying invoices inside 30 calendar days
3. One council is meeting the 'guidance' target of paying over 90% of invoices inside 10 working days
4. All nine central government departments in Northern Ireland are failing to meet their 30 day legal requirement for prompt payment of all invoices
5. All six Health and Social Care Trusts in Northern Ireland are failing to meet both their legal requirements and guidance for prompt payment of invoices
6. The reasons for almost all late payments remain unreported, while the overall publication of prompt payment data from the public sector remains inconsistent and incomplete
7. Data is also insufficient to allow creation of an equivalent Private Sector *Prompt Payment Scorecard* for NI at this time

What is prompt payment?

The issue of prompt or late payment only *becomes* an issue when one organisation providing a good or service to another organisation, is not paid within the pre-agreed timeframe. There are a range of possible reasons for the late payment occurring, such as: an administration error or invoice dispute; a customer does not have the cash to pay; or an organisation deliberately withholds payment.

Late payment culture exists across NI, the UK and the wider world. Estimates of the sum collectively owed to small firms in unpaid invoices vary. One study places the figure at £140bn across the world.¹ Findings from the FSB Small Business Index (SBI) – a UK rolling quarterly survey conducted over many years - indicates that 400,000 small businesses are under threat because of poor payment practice.²

Specific data for NI is unavailable but across the UK, using various datasets we are able to sketch a picture for those who are new to the issue:

- Over 60% of small businesses are having problems with late payments.³
- Around a third of payments to all small businesses are late.⁴
- The UK's SMEs are owed an average of £24,841 in late payments on any given day.⁵
- The average value of each late payment to an SME is around £6,142.⁶
- 20% of small businesses have faced cash flow problems due to late payments.⁷
- If small businesses were paid on time, this could boost the overall UK economy by an estimated £2.5 billion annually.⁸

The FSB SBI showed that in Q4 2021, close to one in three small businesses (30%) had seen late payment of invoices increase over the past three months, with a further 8% experiencing other forms of poor payment practice.⁹ As we have entered Q4 2022, the most recent SBI shows late payments are continuing to increase. Furthermore, there are variations in the severity of late payment across different sizes and type of business, as follows:

Percentage of firms experiencing late payment based on size:

- No employees = 40.5%
- 1-9 employees = 61.2%
- 10-49 employees = 70.6%

Business sectors facing the worse late payments:

- Manufacturing = 66.7%
- Construction = 64.4%
- Professional, Scientific and Tech = 64.7%
- Information communications = 45.9%
- Wholesale and Retail = 38.3%
- Accommodation and Food Services = 27.63%

The impact of late payment on SMEs

We outlined how late payment is and *has* been present in our economy. Now we consider some of the impacts that late payment has on small businesses. It will affect different businesses in different ways, but cashflow is the most fundamental element of any SME - it is the metric

upon which the decisions a business owner will or will not make vital decisions. Government has acknowledged the importance of Prompt Payment in various ways, for example:

"Government is committed to creating a supportive environment in which ambitious businesses can flourish. Late payment is a key issue for business, especially smaller businesses as it can adversely affect their cash flow and jeopardises their ability to trade. The Government recognises that the public sector should set a strong example by paying promptly". - Prompt Payment Policy and Reporting of Performance Action Note 05/15 -

Evidence shows that late payment - or invoices that need to be written off - can cause a range of both primary and 'secondary' impacts.¹⁰ These include:

Wasted time, constrained growth

McKinsey has estimated that 5.5 million micro-businesses in the UK spend up to 74% of their time on activities that do not generate any revenue, including chasing invoices.¹¹ This would suggest that Northern Ireland's 116,820 micro-businesses spend nearly three quarters of their time on non-core activities. Further research from 2020 estimates that SMEs spend 1.5 hours a day chasing invoices and late payments.¹² Time spent chasing late payments is time not spent sustaining or growing a business.

Confidence

Business confidence is essential for long-term economic growth. When confidence is low, businesses are less likely to invest, and so economic growth can stagnate. When business confidence is high, businesses are more likely to expand, invest in staff or improvements, new processes, and equipment. There are few things more detrimental to business confidence than not knowing when, or if, you will be paid. Business confidence can also be impacted when past negative experiences create the *perception* that issues will arise in future – even if untrue - thus changing business behaviour.

Public Procurement

Although late payment is also an issue on business-to-business transactions, delays in public sector contracts can also discourage SMEs from participating in procurement opportunities. This can reduce competition and impact upon the ability of procurers to reach their value for money aspirations. In NI, to help ensure prompt payment for subcontractors, most of which are small or micro businesses, government has introduced a range of measures in its construction contracts. One such measure is the use of Project Bank Accounts.¹³ However, it is unclear how effective these measures are across the full range of bodies to which procurement policy applies in NI.¹⁴

At the beginning of the Covid-19 pandemic, the importance of prompt payment was reiterated as essential by NI authorities:

*"Contracting authorities should pay suppliers as quickly as possible to maintain cash flow and protect jobs. The public sector must pay suppliers within 30 days but contracting authorities now need to accelerate their payment practice."*¹⁵ – Procurement Guidance Note 01/20

Trade

There are significant differences in payment practice across national boundaries, which can induce confusion and inhibit trade. Businesses also perceive selling to businesses and authorities in other countries as incurring a higher risk of late payment – and there is evidence

to suggest payment delays run longer for longer in non-domestic trade.¹⁶ These conditions increase uncertainty and the cost of doing business – discouraging firms from selling overseas.

Mental health

In addition to its impact on the health of our economy, late payment has an impact on the health of small business owners. In 'regular' times, 26% of SME business owners are under stress due to late payments, even when not at work.¹⁷

FSB research shows 34% of small business owners stated their mental health declined during the pandemic.¹⁸ This is the equivalent of over 40,000 small business owners in Northern Ireland. A range of studies also underscore the isolating effect of poor payment practice.¹⁹ However, the data does not disaggregate between public, private or third sector supply chain payment practices.

Insolvencies

As we are now in more uncertain and unstable economic territory, at the time of writing we expect the issue of late payments to further escalate and insolvency to become more widespread. Even in 2016, a study found late payment for goods or services was a primary or major cause of around 23% of insolvencies.²⁰ An FSB study published earlier in 2022 estimated that 440,000 UK small firms may be forced to close this year due to late payment alone. This is more than the 400,000 firms who unfortunately went out of business in 2021 due to COVID-19.²¹

Public Sector payment framework in Northern Ireland

*"In exercising good financial management, a public sector organisation should use its resources efficiently, economically and effectively, avoiding waste, and should ensure all suppliers are paid promptly in line with current legislation"*²² - Department of Finance NI

Public sector organisations are bound by *The Late Payment of Commercial Debts (Interest) Act 1998* and the *Late Payment of Commercial Debts Regulation 2013*.²³ ²⁴ Payment from a public authority is regarded as late if it made outside the agreed terms or 30 days after receipt of a valid invoice - whichever is earlier.

In November 2008, the then NI Finance Minister made a commitment to speed up the payments process. Public Sector organisations were tasked to pay suppliers wherever possible within 10 working days. This commitment is in the guidance document - *Managing Public Money NI* and is applicable to the entire public sector.²⁵ The document outlines how public sector organisations should:

- explain payment procedures to suppliers
- agree payment terms at the outset and sticking to them
- pay bills in accordance with agreed terms, or as required by law
- tell suppliers without delay when an invoice is contested
- settle quickly when a contested invoice gets a satisfactory response.

The Late Payment of Commercial Debts (Interest Act) 1998 sets out the consequences for those who fail to pay their small business suppliers within 30 calendar days. This includes the payment of compensation and application of statutory interest. If payment is not made and received within the pre-defined period, a creditor organisation is entitled to:

- charge interest at the statutory rate - 8% plus the Bank of England base rate

- charge a fixed sum for the cost of recovering a late payment, depending on the size of the invoice:
 - Up to £999.99 = £40
 - £1000 to £9,999.99 = £70
 - Over £10,000 = £100

Where penalties have been incurred, public sector organisations are required to disclose such expenditure within its resource accounts. However, it is crucial to note that neither the fixed sum *nor* the application of interest are mandatory – the supplier must enter into a claims process.

As an illustrative example, using 2021-22 figures for late invoices we can apply a calculation for NI councils. The majority of invoices are placed in the £1000 - £9,999.99 range, where a late payment entitles the business to £70, in addition to daily interest on the invoiceable amount. We therefore use this figure for illustrative purposes.

Example illustrating interest and fixed sum entitlements on invoices across Local Councils

Quarter end 2021-2022	No. invoices late @ 30+ days	Average invoice value	Interest Rate @ 8% plus base	Total fixed sum entitlement for one day late @ £70	Total daily interest on invoice amounts	Amount liable on one day late	Amount liable on 30 Days late
June 2021	4,343	£2,795	8.1%	£304,010	£2,694	£306,704	£384,830
September 2021	6,628	£2,738	8.1%	£463,960	£4,027	£467,987	£584,770
December 2021	6,698	£2,277	8.25%	£468,860	£3,447	£472,307	£572,270
March 2022	8,876	£2,486	8.75%	£416,360	£3,545	£419,905	£522,710

The example demonstrates that if the total of all eleven Councils' late invoices (26,545) were paid 30 days after the due date i.e. 60 days from invoice to payment - the resulting liability for 2021 would sit at over £2 million. If all the invoices were paid just one day late, then the additional amount liable would equal £1,666,903. This is in addition to the amounts owed. We are unable to calculate the equivalent example of every public sector organisation, due to the variation in details published.

However, despite this form of 'compensation' for creditors, the problem is that businesses may not be in a position to recoup monies owed, even when they are legally entitled to it. This is reflected in the low amount of fixed sums and interest paid out, where published.

*"Solving the problem can't be left to smaller businesses, who fear damaging the business relationship and not getting any future work if they dispute the payment practices of a bigger customer."*²⁶ - Liz Barclay, Small Business Commissioner

Reporting of Public Sector Payment Performance

The two primary considerations for public bodies on Prompt Payment are performance and the publishing of performance i.e. reporting. Performance is a more important factor than reporting for small businesses - however, effective access to reporting information becomes imperative when invoices are not being paid on time.

Some bodies publish monthly results, some quarterly and some annually. Some publish how many invoices they have received, and the £ value of those invoices. The variation in reporting standards means that comparison is more challenging.

The task of comparing data is made further difficult because it is not easy to access, even when published. For example, some data is placed in the body of an annual report published in PDF format. Good practice dictates that data should be accessible, easy to understand and compare. A number of bodies do not have any dedicated webpage to report on their payment performance.

In Northern Ireland, over £3 Billion is spent by the central government departments each year on procuring supplies, services and construction works.²⁷ A further £700 million is spent by the 11 Local Councils. It may be tempting to focus on why the money is spent and who receives it, with payment being overlooked.

LG Circular 19/2016 provides the most recent guidance to all Local Councils on to how to measure and report upon their prompt payment performance.²⁸ The remainder of the public sector appears to be covered by DAO (DFP) 04/13 as outlined elsewhere in this paper.²⁹

Local Council Publishing requirements

The guidance in LG Circular 19/2016 requires Local Councils to report quarterly, and provide:

- The total number of invoices
- The total £ value of those invoices
- The number of disputed invoices
- The number of invoices paid within the 30-day target
- The number of invoices paid within the 10-day target
- The number of invoices paid outside the 30-day target
- The average number of days taken to pay suppliers during the year

Councils are also required to "*publish their prompt payment statistics on their individual websites and include explanatory notes on their performance*".³⁰ No Council in Northern Ireland has published these notes. It is also not a requirement for the remainder of the public sector to do so.

We can judge the performance of the public sector on the data published. But without these explanatory notes we cannot explain *why* public sector organisations continue to make late payments.

All councils in Northern Ireland report on their prompt payment performance on their websites. However, there is variation on how it is reported. Belfast City Council, for example, publishes the results on a webpage where they also report on their audits and financial reports.

Belfast City Council Prompt Payment report for Q4 2021-22

2021

The target for paying invoices, where no other terms are agreed, is 30 days.

Note: 30 days is calendar days and 10 days is 10 working days.

Prompt payment information for quarter 4 (1 January 2022 to 31 March 2022)

- During the period 1 January 2022 to 31 March 2022 we paid 16,198 invoices totalling £37,235,582.52
- We paid 14,647 invoices by the 30 day target (12,620 of these were paid within 10 working days).
- 1551 invoices were paid outside the 30 day target.

<https://www.belfastcity.gov.uk/audit>

Derry City and Strabane District Council reports via a webpage which stores the Council's financial documents. The link for Prompt Payment then downloads a 'ZIP' file, with the individual quarterly returns for the council included in XLS format within the ZIP file itself.

In addition to the individual Councils reporting their own performance, the Department for Communities publishes a report on Local Council prompt payment performance. This report is published for each year and updated quarterly.

The report details the prompt payment performance for each council in Northern Ireland, showing how they performed against 10 and 30-day targets, the number of disputed invoices, and the average number of days each council takes to pay a supplier.

Prompt Payment Figures for Antrim and Newtownabbey

Northern Ireland Local Council Prompt Payments Figures Quarters 1-4 2021-2022						
Compliance with Prompt Payment		Q1	Q2	Q3	Q4	YTD
Antrim & Newtownabbey	Total invoices paid	3,352	5,867	6,575	5,539	21,333
	Number of disputed invoices	0	0	0	0	0
	Total invoices paid within 10 working days	1,272	3,348	5,042	4,193	13,855
	% of invoices paid within 10 working days	37.95%	57.06%	76.68%	75.70%	64.95%
	Total invoices paid within 30 calendar days	2,301	4,214	5,770	4,816	17,101
	% of invoices paid within 30 calendar days	68.65%	71.83%	87.76%	86.95%	80.16%
	Total invoices paid outside 30 days	1,051	1,653	805	723	4,232
	% paid outside 30 days	31.35%	28.17%	12.24%	13.05%	19.84%

<https://www.communities-ni.gov.uk/sites/default/files/publications/communities/government-prompt-payments-21-22-ytd.pdf>

Unlike the majority of other public sector organisations, Local Councils provide the total monetary value of their invoices in their prompt payment reporting. During previous discussions with Councils, there was confusion as to the requirements of measuring performance. For example, it could be that some councils are reporting better figures than others because they are not starting their reporting measurements from the time a valid invoice is received. However, this may be untrue.

The Department for Communities data is published in PDF format, making it harder to work with. Some historical data is published as a screenshot image, which also makes it more

difficult to compile and analyse. As noted, LG Circular 19/2016 also requires Local Councils to include explanatory notes on their performance. The Department for Communities report does not include explanatory notes.

Central Government Reporting

DAO (DFP) 04/13 requires “Departments, Agencies and NDPBs” to report on their 10 and 30-day performance. However, this guidance does not prescribe further details on how reporting should take place.

NI Civil Service departments process their invoices through Accounts NI, who then publish prompt payment performance. Reports are made monthly, by department, and detail the number of invoices, and their performance against their 10 and 30-day targets. It does not contain monetary values.

Data can be found on the Department of Finance Website in PDF format rather than ODS.³¹ While there is a dedicated webpage for the data on the Department of Finance website, there is no accompanying commentary on performance:

Northern Ireland Civil Service Prompt Payment Table for 2021 - 2022														
Compliance with Prompt Payment		April	May	June	July	August	September	October	November	December	January	February	March	YTD Totals
DAERA	Total Invoices Paid	2,187	1,954	1,989	1,638	1,820	1,997	2,073	2,123	1,814	2,197	2,247	3,101	25,140
	Total Invoices Paid within 10 Days	2,074	1,872	1,885	1,535	1,694	1,921	2,004	1,974	1,759	2,036	2,129	2,910	23,793
	% of Invoices paid within 10 Days	94.83%	95.80%	94.77%	93.71%	93.08%	96.19%	96.67%	92.98%	96.97%	92.67%	94.75%	93.84%	94.64%
	Total Invoices Paid within 30 Days	2,157	1,907	1,955	1,585	1,777	1,966	2,050	2,100	1,795	2,133	2,180	3,031	24,636
	% of Invoices paid within 30 Days	98.63%	97.59%	98.29%	96.76%	97.64%	98.45%	98.89%	98.92%	98.95%	97.09%	97.02%	97.74%	98.00%

With the exception of Stranmillis University College, universities in Northern Ireland are not public bodies. Ulster University and Queen’s University Belfast are both registered charities. There are different rules that apply to independent companies, when compared to public sector organisations.

This means that universities have no requirement to report on prompt payment performances, limiting what data is available. However, due to the significant public funding that universities receive - £110 million for QUB and £93 million for UU – there may be a case for universities and other examples of this nature to implement prompt payment obligations.

Further and Higher Education colleges are non-departmental public bodies of the Department for the Economy, and are therefore included within the obligations.

Wider context to Prompt Payment in Northern Ireland

There have been some recent developments that indicate intent to address the issue of Late Payment, both in Belfast and London.

During the 2022 State Opening of Parliament, it was announced that the UK Government intends to bring forward a new Procurement Bill, aimed at making it easier for SMEs to bid for public sector contracts. This would include the enabling of smaller contracts for UK only suppliers, as permitted by the World Trade Organisation (WTO). Furthermore, there may be advances to allow disqualification of suppliers unfit to bid for public contracts due to past misconduct, corruption or poor performance.

The UK Government also alluded to a draft Audit Reform Bill, designed to rebuild trust in the UK’s audit, corporate reporting and corporate governance system. This follows controversy surrounding the collapse of BHS, Thomas Cook and Carillion – and the associated ripple affect

on many suppliers. The Audit Reform Bill creates an opportunity for the UK Government to take forward an FSB proposal that would mandate company audit committees to be directly responsible for supply chain practices, including prompt payment.

In February 2022, the NI Finance Minister also announced a series of changes to public procurement in Northern Ireland, designed to bolster local supply chains, protect human rights and maximise opportunities for voluntary, community and social enterprise sectors.³²

'Late payment' is a devolved issue. However, as noted, two major pieces of legislation on late payment have been passed by the UK Parliament. *The Late Payment of Commercial Debts (Interest) Act 1998* predates devolution, while the *Late Payment of Commercial Debts Regulation of 2013* was an EU-led directive – both apply in Northern Ireland.

In 2021 the UK Government and the NI Executive agreed a 'Common Framework' on late payments governance.³³ Since leaving the EU, this will retain some legislative parity in Domestic UK law, with measures passing in Westminster also applying to Northern Ireland.

Both UK, and devolved governments also have a major role as procurers and as role models. Government behaviour can have a major impact on prompt payment - this includes prompt payment of Government invoices, as well as insisting on prompt payment throughout supply chains.

Prompt payment scrutiny

In addition to the publishing format of the Department for Communities and central government, in 2013 the Comptroller and Auditor General (CAG) for Northern Ireland Audit Office (NIAO) published statistics on prompt payment in the public sector as part of a wider report.¹ In addition to central government departments, health and education, the CAG extended this exercise to 22 additional Arm's Length Bodies.

By way of scale, in 2013 these 22 ALBs produced 929,059 invoices – almost equivalent to the health care system during the same year at 979,886 invoices - and four times the volume produced by NI Civil Service departments at 232,589.

The report noted an NI Assembly commitment to prompt payment, and in particular the 10 day target – showing that while there had been improvement over the previous two years, public bodies needed to maximise the number of valid invoices paid within both the 30 and 10 day targets. The CAG at the time, Mr Donnelly said:

"The Executive has reiterated its commitment to paying suppliers within 10 days during 2013 and it is important that all public bodies ensure that steps are taken to identify efficiencies and approve and release valid invoices for payment without delay".

Local Government Auditor

Each year, the NIAO publishes its Local Government Auditor's (LGA) Report.³⁴ In the 2021 publication, the LGA notes:

"Prompt payment of invoices helps business cash flow and it is important that councils endeavour to support their suppliers in the current challenging economic climate."

The LGA goes on to note that:

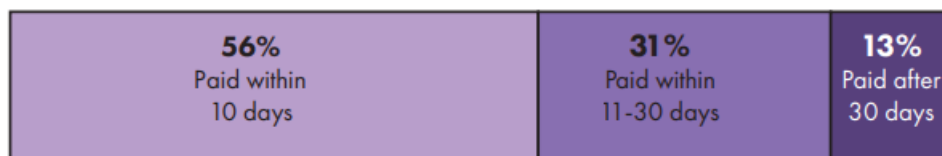
¹ <https://www.niauditoffice.gov.uk/publications/financial-auditing-and-reporting-2013>

"In 2019-20, seven councils paid at least half of their valid invoices within 10 days, a slight improvement from the six that met the target in 2018-19. However, most councils' performance continues to be significantly poorer than that of central government and some councils still struggle to meet prompt payment targets for suppliers."

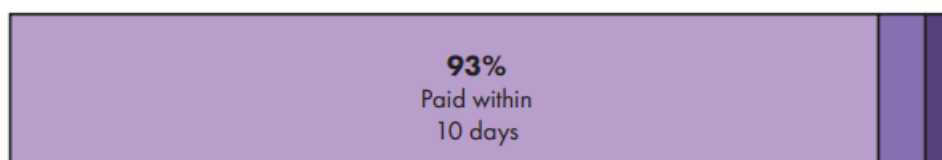
The section of the audit report details payment statistics as follows:

Figure 10. Overall prompt payment performance is significantly slower than central government performance

In 2019-20, **councils** paid just over half of invoices within 10 days

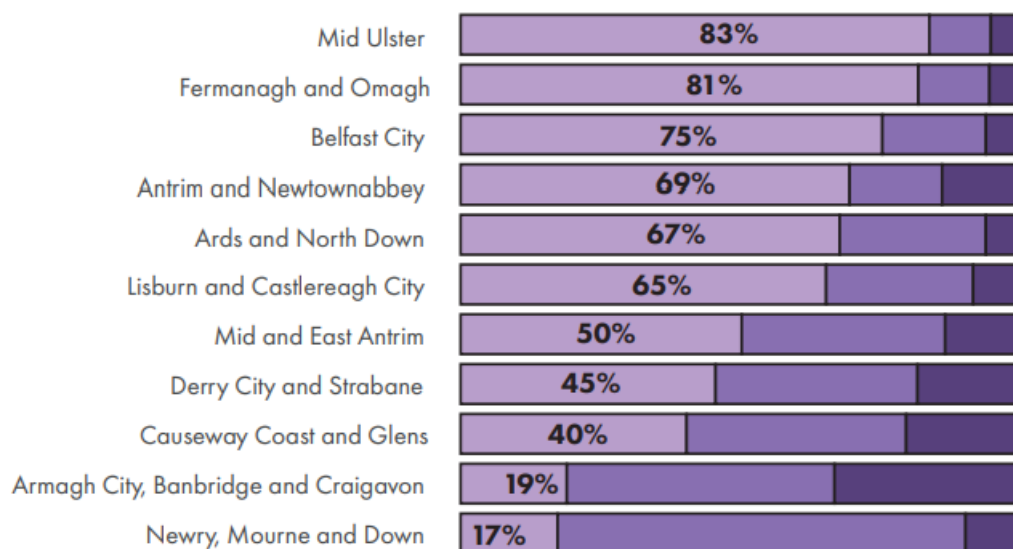


Central government paid over 90% of invoices within 10 days over the same period



The LGA prioritised the labelling of Council performance based on 10-day performance:

However, there was substantial variation in performance between councils



Source: Councils' management information; Department of Finance NICS Prompt Payment tables

The next LGA report is due to be published in late December 2022. However, we note that there is an incomplete view of the public sector – from what we can ascertain, neither the NIAO or any other public body has published an updated audit of similar substance since 2013. This has acted as a primary driver for the development of a *Prompt Payment Scorecard*.

Private sector prompt payment

Businesses are also bound by *The Late Payment of Commercial Debts (Interest) Act 1998* and the *Late Payment of Commercial Debts Regulation of 2013*. Payment from a private sector business is regarded as late if it is made outside the agreed terms or 60 days after receipt of a valid invoice – in the event of no prior agreement. The supplier and customer may agree a longer period outside of 60 days, on the basis that this is not unfair to the supplier. If a payment is late, the supplier can also claim compensation and statutory interest – however the same issues apply for contractors who will be fearful of damaging relationships and losing business.

In 2016, in order to tackle late payment and other payment practices across the private sector, the UK Government created the *Office of the Small Business Commissioner*.³⁵ The Commissioner's remit stretches across the entire UK, including Northern Ireland. The SBC sits within the Department for Business, Energy and Industrial Strategy (BEIS).

The Small Business Commissioner (SBC) now administers the *Prompt Payment Code (PPC)* - a voluntary code of practice for businesses, created in 2008 by the UK Government.³⁶ The code sets out a series of principles around payment practices, guidance and encouraging of good practice. For example, code signatories undertake to:

1) Pay suppliers on time:

- by paying 95% of invoices within the agreed payment terms and without attempting to change terms retrospectively
- by paying 95% of all invoices within 60 days, and 95% of invoices from businesses with fewer than 50 employees within 30 days
- by acknowledging their right to use late payment legislation to invoice for late payment interest and charges when appropriate.

2) Give clear guidance to suppliers:

- by providing clear and easily accessible guidance on payment procedures and invoicing requirements at on-boarding stage and on an ongoing basis
- by ensuring there is a system for dealing with complaints and disputes which is clearly communicated, and providing a contact-point (or online portal) for them to ascertain the status of invoices being processed
- by advising them immediately if there is any reason why an invoice will not be paid to the agreed terms.

3) Adopt and encourage good practice:

- by requesting that lead suppliers encourage adoption of the Code throughout their own supply chains
- by using the PPC logo to demonstrate commitment to the Code principles and enhance supplier confidence
- by avoiding any practices that adversely affect the supply chain.

Once approved, companies can use the PPC logo on their documentation and website. Signatories can be suspended or removed from the code if they fail to comply, as well as being named publicly.³⁷

Large businesses must also self-report twice annually on their payment performance to suppliers.³⁸ Businesses are obliged to do this if they meet two of the following criteria:

- £36 million in turnover
- £18 million on its balance sheet
- 250 employees

Reports can be retrieved online and will include detail as follows:

- Company number
- Payments made in the reporting period
- Average time to pay
- % Invoices paid within 30 days
- % Invoices paid between 31 and 60 days
- % Invoices paid later than 60 days
- % Invoices not paid within agreed terms
- Shortest (or only) standard payment period
- Longest standard payment period
- Maximum contractual payment period
- Payment terms have changed
- Suppliers notified of changes
- Participates in payment codes
- E-Invoicing offered
- Supply-chain financing offered
- Policy covers charges for remaining on supplier list
- Charges have been made for remaining on supplier list

While the report provides us with the number of late payments made by large businesses, it does not outline crucial information such as the value of these payments. This leaves us unable to fully determine the extent of this problem for small businesses.

This version of the Prompt Payment Scorecard does not include large, private businesses. At this time there is insufficient data to compile an effective scorecard for larger businesses in NI. The *Good Business Pays* campaign group found that in 2021, several companies in the FTSE 350 were taking up to 132 days to pay small businesses, with FTSE 350 companies on average taking 37 days to pay small suppliers.²

The private nature of large businesses means that it is difficult to assess the full scope of their payment practices unless they self-publish. As well as a low level of data availability, there are also different rules which apply to private companies in comparison with Public sector organisations.

Small Businesses and large business often work together as part of the supply chain. This means that addressing late payment in the private sector must be approached in a different way to that of the public sector. Indeed, public sector payment practices may only be the tip of

² <https://goodbusinesspays.com/posts/ftse-350-take-132-days-to-pay/>

the iceberg. It is clear that late payment in the private sector is a far bigger problem that still do not know enough about.

While there is a need for the public sector to review their own approach to late payment, Government also stands to play a key role in reforming the practices of private sector companies. This means there is a role for both the UK Government, the Northern Ireland Executive and councils.

As outlined earlier - to tackle the issue of late payment by large businesses - governments must firstly work on delivering the promises they have already made. Governments, in both London and Belfast, must commit to using their own procurement and spending as a way to drive a culture of prompt payment.

The FSB NI *Prompt Payment Scorecards*

So far we have outlined the issue of late payment, its impact, and the expectations placed upon those in the public and private sectors. Despite some promising reforms, there is a need for wholesale improvement around the culture of late payment across society.

We have identified inconsistencies in reporting practices, which has led to a lack of clarity on why payments are late. To this end, FSB NI has proposed and drafted a first version of the *Prompt Payment Scorecard*.

The purpose of the *Scorecard* is to show how well Local Councils, government departments and the wider public sector are performing in terms of reporting and payments performance. The *Scorecard* measures performance for the most recent full financial year available at the time of compilation – 2021/22 for Local Councils, government departments and the Arm’s Length Bodies of the Departments of Health and Education - and 2020/21 for other Arm’s Length Bodies. Although it is now available, data from April onwards 2022 is not used.

The six scorecards on the following pages mirror those bodies in the 2013 NIAO report on Prompt Payment referenced earlier in this paper:

1. Local Councils
2. Central Government Departments
3. Health and Social Care
4. Education
5. 22 Arms Length Bodies (ALBs - split over two scorecards)

There are four sections in each Scorecard:

- Guidance Targets
- Legal targets
- Suggested Best Practice
- Key points

Otherwise, each scorecard is designed to be self-explanatory, and readers will see that there are thousands of invoices being paid late in Northern Ireland.

The absence of further analysis is deliberate, in that the principle of late payment has been established and too many invoices are being paid late. At this time, FSB ascertains that the only course of action is to understand all the reasons for late payment as a means of trying to then improve the problem. Therefore, what follows the Scorecards is a series of recommendations.

FSB NI Prompt Payment Scorecard - Local Councils - April 2021 to March 2022

Payment performance and publishing practices of local councils in Northern Ireland

														Overall / Average
Number of Invoices	21,333	16,155	21,712	71,202	20,584	17,172	17,497	40,284	20,237	17,440	289,572			
90% invoices paid by 10 working days - Guidance Target	64.9%	84.5%	55.1%	81.3%	26.1%	84.7%	79.4%	67.5%	92.8%	17.4%	68.4%	1/11		
+/- since 2016-17	↑15.4%	↑37.1%	↑32.7%	↑9.4%	↓8.1%	↑32.2%	↑36.9%	↑19.8%	↑8.8%	↑8.1%	↑19.2% (+1)			
100% invoices paid by 30 Calendar Day Legal Target	80.2%	98.0%	95.2%	93.6%	64.7%	93.6%	91.5%	94.7%	98.6%	88.5%	90.8%	0/11		
+/- since 2016-17	↓3.1%	↑16.4%	↑22.4%	↑5.9%	↓10.1%	↑6.3%	↑10.8%	↑6.6%	↓0.1%	↑3.0%	↓6.4% (nc)			
Payment Performance														
10 Working Days Guidance target	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11	✓
30 Calendar Days Legal target	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11	✓
Publish Quarterly Statistics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11	✓
Invoice Amounts (£) guidance target	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11	✓
Commentary on performance guidance target	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0/11	✗
Publish performance on council webpage - Guidance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11	✓
Publishing Performance														
Publish Monthly Statistics	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0/11	✗
Introduce 5-Day payment Performance target	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0/11	✗
Publish number of SME suppliers	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0/11	✗
Publish proportion of £ spent with SMEs	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0/11	✗
Publish in Open Data Format	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	0/11	✗
Suggested Best Practice														

- Over 26,500 payments made by Local Councils in Northern Ireland were paid beyond 30 days
- One council - Mid Ulster District Council - paid more than 90% of invoices within 10 days
- No council pays all invoices within the 30day legal target
- No council provides a 'commentary' on their respective payment performance

Sources: Department for Communities Local Councils Prompt Payments Report for 2021 -22; individual Local Council websites.

FSB NI Prompt Payment Scorecard Central Government- April 2021 to March 2022

Payment performance and publishing practices of central government departments

	Department of Agriculture, Environment and Rural Affairs	Department of Infrastructure	Department of Communities	Department of the Economy	Department of Education	Department of Finance	Department of Health	Department of Justice	Executive Office	NICS
Number of Invoices	25,140	37,034	15,744	4,587	1,423	20,489	2,294	39,623	2,910	149,244
90% invoices paid by 10 Working Days -Guidance Target	94.6%	94.7%	93.5%	95.1%	96.8%	88.8%	93.4%	94.3%	91.8%	93.6% 8/9
+/- since 2016-17	↑ 6.5%	↑ 2.5%	↑ 10.3%	↑ 4.7%	↑ 9.7%	↓ 1.6%	↑ 7.0%	↑ 4.6%	↑ 2.9%	↑ 4.4% (+4)
100% invoices paid by 30 Calendar Day Legal Target	98.0%	97.9%	97.5%	97.7%	99.3%	94.8%	96.8%	97.6%	96.5%	97.3% 0/9
+/- since 2016-17	↑ 2.7%	↑ 0.2%	↑ 3.1%	↑ 1.8%	↑ 19.5%	↓ 1.7%	↑ 1.6%	↑ 1.4%	↓ 0.2%	↑ 1.3% (nc)
10 Working Days Guidance target	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ 9/9
30 Calendar Days Legal target	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ 9/9
Publish Monthly Statistics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ 9/9
Introduce 5-Day payment Performance target	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗ 0/9
Publish number of SME suppliers	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗ 0/9
Publish proportion of £ spent with SMEs	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗ 0/9
Invoice Amounts (£)	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗ 0/9
Commentary on performance	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗ 0/9
Publish performance on a Dedicated Webpage	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ 9/9
Publish in Open Data Format	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗ 0/9

- 4,152 invoices were paid outside the 30 day legal target
- No Stormont department meets their legally required payment target
- The Department of Finance, the department responsible for Prompt Payment, is the only Stormont Department that does not meet its 10% guidance target

Source: Department of Finance, 2022, NICS prompt payment tables 2021-22, NICS Prompt Payment tables for previous years

FSB NI Prompt Payment Scorecard Health and Social Care- April 2021 to March 2022

Payment performance and publishing practices of Health and Social Care bodies in Northern Ireland



9 Other Health Bodies *



Waters Health and Social Care Trust

South Eastern Health and Social Care Trust

Southern Health and Social Care Trust

Northern Health and Social Care Trust

Midwest Health and Social Care Trust

	558,511	287,486	310,265	279,631	267,705	33,978	201,938	35,632	1,975,146
Number of Invoices									
90% invoices paid by 10 Working Days-Guidance Target	73.6%	74.6%	77.5%	76.7%	76.0%	82.9%	96.0%	88.1%	77.8%
+/- since 2016-17	↓ 1.8%	↓ 2.6%	↓ 4.7%	↓ 3.2%	↓ 6.9%	↑ 6.9%	↓ 1.4%	↑ 7.0%	↓ 3.3% (+4)
100% invoices paid by 30 Calendar Day Legal Target	92.2%	92.7%	95.2%	97.2%	91.3%	97.2%	98.5%	98.3%	94.2%
+/- since 2016-17	↑ 2.0%	↓ 0.4%	↑ 2.6%	↑ 5.0%	↓ 1.7%	↑ 0.9%	↓ 0.5%	↑ 4.5%	↑ 1.3% (+1)
Publishing Performance									
10 Working Days Guidance target	✓	✓	✓	✓	✓	✓	✓	✓	✓
30 Calendar Days Legal target	✓	✓	✓	✓	✓	✓	✓	✓	✓
Suggested Best Practice									
Publish Monthly Statistics	✓	✓	✓	✓	✓	✓	✓	✓	✓
Introduce 5-Day payment Performance target	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish number of SME suppliers	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish proportion of £ spent with SMEs	✗	✗	✗	✗	✗	✗	✗	✗	✗
Invoice Amounts (£)	✗	✗	✗	✗	✗	✗	✗	✗	✗
Commentary on performance	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish performance on a Dedicated Webpage	✓	✓	✓	✓	✓	✓	✓	✓	✓
Publish in Open Data Format	✗	✗	✗	✗	✗	✗	✗	✗	✗

*9 other agencies: Blood transfusion, HSC Board, Public Health Agency, Northern Ireland Guardian Ad Litem Agency, Medical and Dental Training Agency, Social Care Council, Patient Client Council, Practice and Education Council for Nursing & Midwifery, Regulation and Quality Improvement Authority.

- Over 114,558 invoices not paid within 30 days
- No HSC Trust pays more than 90% of their invoices within 10 days.
- No HSC Trust meets their legally required payment deadlines.
- Only one health body – NIPEC, the development body for nurses and midwives – meets their legally required payment deadlines.

Source: Business Services Organisation, 2022, HSCNI Prompt Payment Table 2021 -22
Individual Organisations Annual Reports for historical data

FSB NI Prompt Payment Scorecard - Education - April 2021 to March 2022

Payment performance and publishing practices of Education bodies in Northern Ireland



	352,406	1,655	751	531	237	326	690	356,608
Payment Performance								
90% invoices paid in 10 Working Days -Guidance Target	50.9%	94.2%	96.0%	87.2%	87.3%	78.8%	98.0%	51.4% 3/7
+/- since 2016-17	↓ 0.7%	↓ 1.7%	↓ 4.0%	↑ 2.3%	↑ 12.3%	↓ 17.7%	↑ 5.0%	↓ 1.0% (nc)
100% invoices paid by 30 Calendar Day Legal Target	74.7%	98.3%	99.5%	100%	100%	94.8%	98.1%	75.0% 3/8
+/- since 2016-17	↓ 12.0%	↓ 0.8%	↓ 0.5%	nc	nc	↓ 4.5%	↑ 0.7%	↓ 12.0% (+1)
Publishing Performance								
10 Working Days Guidance target	✓	✓	✓	✓	✓	✓	✓	8/8
30 Calendar Days Legal target	✓	✓	✓	✓	✓	✓	✓	8/8
Suggested Best Practice								
Publish Monthly Statistics	✓	✓	✓	✓	✓	✓	✓	8/8
Introduce 5-Day payment Performance target	✗	✗	✗	✗	✗	✗	✗	0/8
Publish number of SME suppliers	✗	✗	✗	✗	✗	✗	✗	0/8
Publish proportion of £ spent with SMEs	✗	✗	✗	✗	✗	✗	✗	0/8
Invoice Amounts (£)	✗	✗	✗	✗	✗	✗	✗	0/8
Commentary on performance	✗	✗	✗	✗	✗	✗	✗	0/8
Publish performance on a Dedicated Webpage	✓	✓	✓	✓	✓	✓	✓	8/8
Publish in Open Data Format	✗	✗	✗	✗	✗	✗	✗	0/8

*At time of collation YCNII had no returns in the absence of a Board and Department of Education were paying YCNII invoices.

- 89,152 invoices paid outside the 30 day legal target
- This means 1 in 4 education invoices are paid late
- Nearly 99% of all education invoices are processed by the Education Authority.

Source: Department of Education, 2022, Prompt Payment for 2021-2022
DE Prompt Payment tables for previous years

FSB NI Prompt Payment Scorecard - Arms Length Bodies #1 - 2020 to 2021

Payment performance and publishing practices of the Economy and Infrastructure ALBs in Northern Ireland

Number of Invoices	80.0%	88.0%	90.0%	78.0%	43.5%	71.0%	96.0%	6,798	Not Reported
90% invoices paid by 10 Working Days - Guidance Target	1.0%	34.0%	24.0%	5.0%	1.5%	11.0%	3.0%	91.6%	Not Reported
+/- since 2016-17	↑	↑	↑	↑	↓	↑	↑	↑	↑
100% invoices paid by 30 Calendar Day Legal Target	97.5%	96.0%	95.0%	97.0%	92.5%	96.0%	98.0%	96.0%	Not Reported
+/- since 2016-17	nc	↑	↑	↑	↑	↑	↑	↓	↓
10 Working Days Guidance target	✓	✓	✓	✓	✓	✓	✓	✓	✗
30 Calendar Days Legal target	✓	✓	✓	✓	✓	✓	✓	✓	✗
Publishing Performance	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish Monthly Statistics	✗	✗	✗	✗	✗	✗	✗	✗	✗
Introduce 5-Day payment Performance target	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish number of SME suppliers	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish proportion of £ spent with SMEs	✗	✗	✗	✗	✗	✗	✗	✗	✗
Suggested Best Practice	✗	✗	✗	✗	✗	✗	✗	✗	✗
Invoice Amounts (£)	✗	✗	✗	✗	✗	✗	✗	✗	✗
Commentary on performance	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish performance on a Dedicated Webpage	✗	✗	✗	✗	✗	✗	✗	✗	✗
Publish in Open Data Format	✗	✗	✗	✗	✗	✗	✗	✗	✗

fsb8
 @FSB_NI # NeverBetterLate
 www.fsb.org.uk

- One ALB – The Driver & Vehicle Agency publishes their invoicecount
- Three ALBs do not appear to publish their performance at all
- Based on published information, 8 of the 11 ALBs do not meet their legal targets

Source: Annual reports

FSB NI Prompt Payment Scorecard - Arms Length Bodies #2 - 2020 to 2021

Payment performance and publishing practices of Agriculture, Communities and Justice ALBs in Northern Ireland



	Number of Invoices	12,813	906	373,686			
Payment Performance	90% invoices paid by 10 Working Days -Guidance Target	87.0%	98.0%*	88.8%	93.5%	92.0%	93.2%
	+/- since 2016-17	2.0% ↑	8.0% ↑	0.8% ↓	5.3% ↑	2.5% ↑	0.9% ↓
	100% invoices paid by 30 Calendar Day Legal Target	94.0%	92.0%*	96.6%	98.1%	97.3%	99.0%
	+/- since 2016-17	3.0% ↓	8.0% ↓	1.3% ↓	3.1% ↑	0.9% ↑	nc
Publishing Performance	10 Working Days Guidance target	✓	✗	✓	✓	✓	✓
	30 Calendar Days Legal target	✓	✗	✓	✓	✓	✓
Suggested Best Practice	Publish Monthly Statistics	✗	✗	✗	✗	✗	✗
	Introduce 5-Day payment Performance target	✗	✗	✗	✗	✗	✗
	Publish number of SME suppliers	✗	✗	✗	✗	✗	✗
	Publish proportion of £ spent with SMEs	✗	✗	✗	✗	✗	✗
	Invoice Amounts (£)	✗	✗	✓	✗	✗	✗
	Commentary on performance	✗	✗	✗	✗	✗	✗
	Publish performance on a Dedicated Webpage	✗	✗	✗	✗	✗	✗
Publish in Open Data Format	✗	✗	✗	✗	✗	✗	

* Sport NI Annual Accounts show that 98% of invoices are paid within 10 days and 92% of invoices within 30 days

- Incomplete reporting figures available
- No ALB on this scorecard meet the 30 day legal target
- Four ALBs simultaneously exceed the 10 day guidance target but do not publish no. of invoices

Source: Annual reports

Recommendations

This paper has so far outlined the expectations on public bodies and identifies that invoices are not being paid on time. In order to address the issue of late payment and help small businesses, FSB makes the following initial recommendations:

NI Executive

1. The NI Executive should nominate and/or create a 'Prompt Payment Champion' to act as a driving force on the issue across central and local government.
2. All public bodies should put a plan in place to meet, at a minimum, the legal payment obligations placed upon them.
3. The Northern Ireland Executive should act to clarify the payment rules in subcontracting activities. All supply chain invoices should be paid within 30 days, along with a requirement for all primary contractors be signatories of the Prompt Payment Code.
4. Statutory compensation and interest should be automatically added by public bodies to their own late payments, without requiring suppliers to claim it.
5. As well interest and fixed sums paid, total liability from statutory compensation and interest should be published in each organisation's annual accounts/publications.
6. The Department of Finance should introduce the UK Government's administrative target of paying 90% of undisputed and valid invoices from SMEs within five days.
7. Reason categories for late payment should be introduced. All public sector organisations should record reasons for late payment and report the numbers of each category within their explanatory notes.
8. Accounts NI should carry out a feasibility study of including the entirety of the public sector within the Accounts NI system.
9. The Department of Finance, in particular, should produce recommendations of improvement to enhance their performance against the target of 10 working days.
10. As a 'response study', the Comptroller and Auditor General for Northern Ireland should carry out a review of prompt payment in NI during 2023, with specific actions for improvement and annual milestones.

11. The Department of Finance should update DAO (DFP) 04/13 to incorporate new areas of best practice in prompt payment performance. This could include:
 - a. Publishing the £ value of all other data points e.g. total invoices, 10-day, 30-day, SME spend
 - b. Publishing the number of invoices generated by SMEs
 - c. Publishing explanatory notes on performance
 - d. Publishing all data, including historical, in Open Document Spreadsheet (ODS) format – more detail on this is outlined at the end of the recommendation section
12. Arm's Length Bodies of all departments should publish their data in line with the identified targets/best practice. This data should be published on websites, with explanatory notes on performance. And/or, each department should collate data for respective ALBs and publish the results online in the appropriate format.
13. Given the failure of Local Councils to meet requirements in LG Circular 19/2016, the Department for Communities or wider Executive should consider strengthening the requirement through legislation.
14. The Executive should promote the *Good Business Charter* and streamlined Good Business Charter for small businesses.

Northern Ireland Local Councils

1. As part of a 2023 response study into Prompt Payment, The NIAO / Northern Ireland Local Government Auditor should validate the processes used by each Council to ensure the performance figures being reported are both accurate and comparable across Northern Ireland.
2. Each Council should have nominated 'Prompt Payment Champions' - at staff Director level along with an Elected Councillor.
3. Relevant board and Council committee meetings should ensure prompt payment is a standing agenda item.
4. Councils must publish a thorough commentary on their performance in line with requirements, including additional data where it exists e.g. the reasons for late payment.
5. All Local Councils should review their internal payment processing systems and include recommendations for improvement to enhance their

performance against both the 10-working day and 30-calendar day targets within their Performance Improvement frameworks.

6. All Councils should make a timebound public commitment to meeting their legal and guidance targets.

UK Government

1. All FTSE 350 companies should be required to sign the Prompt Payment Code.
2. Corporate audit committees should be directly responsible for supply chain practice, including prompt payment.
3. The Department of Business, Energy and Industrial Strategy should allow 'nation filtering' of large Companies within their Prompt Payment publication tables i.e. to allow easy identification of Northern Ireland companies
4. The Small Business Commissioner should be given additional powers to fine large businesses in cases where systematic and chronic late payment has been proven.
5. The Small Business Commissioner should have a specific remit to directly address supply chain bullying.

Detailed recommendation - use of open data principles

The NI Open Data Strategy is relevant in the case of Prompt Payment Performance and Publishing.³⁹ Given that reporting on prompt payment is primarily data driven, the best practice should be to publish all prompt payment data in Open Document Spreadsheet (ODS) format.

Open Standards principles are the UK Government's standards to make government IT more accessible, cheaper, and better connected.⁴⁰ One key aspect of open standards is that government documentation should be compatible with whatever software packages the user has. To this end, the UK Government has committed to generating, editing and storing documentation using the Open Document Format (ODF).

Improving the quality of prompt payment reporting would increase access to the data and transparency. As used in the above scorecards, FSB therefore suggests the following principles reporting for public sector organisations, as noted in the Scorecards:

- Performance against their 10 Working Day guidance target
- Performance against their 30 Calendar Day legal target
- Performance against a potential 5 Working Day payment target
- Publish performance on a Dedicated Webpage
- Publish Monthly Statistics

- Invoice Amounts (£)
- Commentary on performance
- Publish number of SME suppliers
- Publish proportion of £ spent with SMEs
- Publish in Open Data Format (ODF)

Conclusion

This paper forms the first FSB NI *Prompt Payment Scorecard* for public sector bodies in Northern Ireland. It outlines the impact of SMEs not being paid on time, the framework underpinning public sector payment rules, the 2021-22 public sector payment performance, and a series of recommendations in response the primary conclusion.

The paper concludes that, whilst there have been some improvements, the NI public sector as a whole is not paying on time. Despite the same fundamental legal requirement applying across all public bodies – paying invoices within 30 days – the variation in performance and publishing is significant.

Small businesses are frustrated because the principal importance of prompt payment has long since been acknowledged by government. The full impact upon small businesses is immeasurable, but we *can* say with certainty that late payments can be a cause of immense stress, loss of livelihoods and ultimately – business failure. Indeed, the problem is so endemic in our society, that one of the FSB member benefits is a debt recovery service – designed specifically to help small businesses get paid when an invoice is late.

It is more difficult, but not impossible, to solve the issue of late payment in the private sector. However, there is no excuse for government paying late and where we find such instances, we must put it right. The public sector always holds the cash to pay and should act as the role model in changing payment culture.

The process of collating this paper and scorecard is designed to help unearth a number of ‘missing pieces’ which can bring about progress. FSB NI commits to develop and issue the *Prompt Payment Scorecard* on an annual basis until data is published to an acceptable standard across the public sector – and performance is there to match it.

Finally, it is important to remember that small businesses are not seeking preferential treatment in relation to payment – in the same way many people are fortunate enough to get paid a monthly salary for the work they do - small businesses are merely seeking to be paid for the work they too have agreed, and carried out. Eradicating this issue would come at minimal or no cost to the public purse, with an upside for business and to society as a whole.

About FSB

FSB is the UK's largest business organisation, with around 165,000 members in total, including around 6,000 in Northern Ireland across all sectors of industry and business. Established over 40 years ago, we are a non-profit making and non-party political organisation that's led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions.

Northern Ireland is a small business economy, with the highest concentration of SMEs in all the regions in the UK - 99.9% of businesses are SMEs. 98% of all firms employ fewer than 20 people, while 95% employ fewer than 10. Northern Ireland SMEs provide 75% of all private sector jobs, and over two-thirds of private sector turnover compared with around 50% in the UK as a whole. Small businesses employ more people than the public sector and large businesses, combined.

FSB Payment performance

As an organisation FSB is a procurer in its own right, and does not impose its own payment terms on suppliers. FSB pays invoices as soon as possible after receiving them. We monitor our performance in this area and look for any steps to speed up the process. FSB performance over the last year shows that the average time from receipt of an invoice to payment is 10.25 days.

Methodology

Given widespread government acknowledgment of this issue and the prevalence of information highlighting poor payment practices, FSB NI did not conduct primary research - given the low likelihood of original findings. However, we welcome suggestions in this regard. A desk-based approach was used to combine publicly available information and statistics. The data period is up to March year end 2021-22.

Not all public agencies were placed in the scorecard, in part due to the quality and availability of data. A decision was made to compile information based on the same range of organisations considered by a 2013 NI Audit Office report.

The accessibility, quality, and accuracy of data available was of a varied standard at the time of access. This means there is a higher risk of inaccuracy. Whilst any errors will not detract from the substance or principle of the points made in this paper, we fully welcome notification of any errors or misinterpretation to fsbni@fsb.org.uk – thank you.

End notes

-
- ¹ **Research from Xero's Small Business Insights:**
<https://www.londonandzurich.co.uk/average-uk-business-owed-almost-25000-in-late-payments/>
- ² **FSB Small Business Index Q4 2021:** <https://www.fsb.org.uk/resources-page/400-000-small-firms-threatened-by-late-payment-as-costs-surge-new-study-finds.html>
- ³ **FSB Small Business Index Q1 2022:**
[https://www.fsb.org.uk/resources-page/lending-to-small-businesses-hits-all-time-low-new-study-finds-with-six-in-ten-impacted-by-late-payment.html#:~:text=The%20majority%20\(61%25\)%20of,in%20Q1%20of%20this%20year.](https://www.fsb.org.uk/resources-page/lending-to-small-businesses-hits-all-time-low-new-study-finds-with-six-in-ten-impacted-by-late-payment.html#:~:text=The%20majority%20(61%25)%20of,in%20Q1%20of%20this%20year.)
- ⁴ **FSB 'Time to Act' Report:**
<https://www.fsb.org.uk/resource-report/time-to-act.html>
- ⁵ **Research from Xero's Small Business Insights:**
<https://www.londonandzurich.co.uk/average-uk-business-owed-almost-25000-in-late-payments/>
- ⁶ **FSB 'Time to Act' Report:**
<https://www.fsb.org.uk/resource-report/time-to-act.html>
- ⁷ **Accountancy Age – impact of late payments on SMEs:**
<https://www.accountancyage.com/2019/03/27/20-of-smes-are-running-into-cash-flow-problems-because-of-late-payments-says-cybg/>
- ⁸ **Office of The Small Business Commissioner:**
<https://www.smallbusinesscommissioner.gov.uk/about-us/>
- ⁹ **FSB Small Business Index Q4 2021:**
<https://www.fsb.org.uk/resources-page/400-000-small-firms-threatened-by-late-payment-as-costs-surge-new-study-finds.html>
- ¹⁰ **Impact Assessment of Directive on combating Late Payment:**
https://www.legislation.gov.uk/ukia/2013/1116/pdfs/ukia_20131116_en.pdf
- ¹¹ **McKinsey & Company - How banks can use ecosystems to win in the SME market:**
<https://www.mckinsey.com/industries/financial-services/our-insights/how-banks-can-use-ecosystems-to-win-in-the-sme-market>
- ¹² **Tide research UK SMEs chasing £50bn in late payments:**
<https://www.tide.co/blog/tide-update/new-research-uk-smes-chasing-50bn-in-late-payments/>
- ¹³ **Procurement Guidance Note PGN 03/14 (as amended):**
<https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/PGN%2003%2014%20~%20Project%20Bank%20Accounts%20%5Bpdf%20version%5D.PDF>
- ¹⁴ **List of public bodies to which NI public procurement policy applies:**
<https://www.finance-ni.gov.uk/articles/list-public-bodies-which-ni-public-procurement-policy-applies>
- ¹⁵ **Procurement Guidance Note 01/20:**
<https://web.archive.org/web/20200419233307/https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/PGN%2001%2020%20Supplier%20Relief%20Due%20to%20COVID-19%20%281%29.pdf>
- ¹⁶ **Impact Assessment of Directive on combating Late Payment:**
https://www.legislation.gov.uk/ukia/2013/1116/pdfs/ukia_20131116_en.pdf
- ¹⁷ **Pay UK - Mental health cost of late payments:**
<https://newseventsinsights.wearepay.uk/media-centre/press-releases/mental-health-cost-of-late-payments/>
- ¹⁸ **FSB Small Business Index Q1 2022:**
<https://www.fsb.org.uk/resources-page/one-in-three-business-owners-suffer-covid-linked-mental-health-decline-new-study-finds-as-mental-health-awareness-week-launches.html>
- ¹⁹ **Pay UK - Mental health cost of late payments:**
<https://newseventsinsights.wearepay.uk/media-centre/press-releases/mental-health-cost-of-late-payments/>
- ²⁰ **R3 research – Late payment link to insolvencies:**
<https://www.r3.org.uk/press-policy-and-research/news/more/28961/store/519648/page/1/>
- ²¹ **FSB Small Business Index Q4 2021:**
<https://www.fsb.org.uk/resources-page/400-000-small-firms-threatened-by-late-payment-as-costs-surge-new-study-finds.html>
- ²² **Financial Management, Department of Finance NI:**
<https://www.finance-ni.gov.uk/publications/financial-management>

- ²³ **The Late Payment of Commercial Debts (Interest) Act 1998, c. 20.** Available at: <https://www.legislation.gov.uk/ukpga/1998/20>
- ²⁴ **The Late Payment of Commercial Debts Regulations 2013 (SI 2013/395):** <https://www.legislation.gov.uk/uksi/2013/395/made>
- ²⁵ **Managing Public Money NI:** <https://www.finance-ni.gov.uk/articles/managing-public-money-ni-mpmni>
- ²⁶ **Fintech Finance News:** <https://ffnews.com/newsarticle/official-government-statistics-from-january-2021-showed-23-4-billion-worth-of-late-invoices-owed-to-firms-across-britain/>
- ²⁷ **Department of Finance NI - Scoring Social Value:** <https://www.northernireland.gov.uk/news/new-era-public-procurement-social-value-be-scored-government-contracts-murphy>
- ²⁸ **Circular LG 19/2016 Guidance on Prompt Payments:** <https://www.communities-ni.gov.uk/publications/circular-lg-192016-guidance-prompt-payments>
- ²⁹ **Department of Finance circular DAO (DFP) 04/13:** <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/daodfp0413v2.pdf>
- ³⁰ <https://www.communities-ni.gov.uk/publications/circular-lg-192016-guidance-prompt-payments>
- ³¹ **NICS prompt payment tables:** <https://www.finance-ni.gov.uk/topics/account-ni/nics-prompt-payment-tables>
- ³² **Department of Finance - Procurement changes will benefit local companies:** <https://www.finance-ni.gov.uk/news/procurement-changes-will-benefit-local-companies-murphy>
- ³³ **UK Government - Late payment (commercial transactions) provisional common framework:** <https://www.gov.uk/government/publications/late-payment-commercial-transactions-common-framework>
- ³⁴ **NI Audit Office - Local Government Auditor's Report 2021:** <https://www.niauditoffice.gov.uk/publications/local-government-auditors-report-2021>
- ³⁵ **Enterprise Act 2016, c. 12:** <https://www.legislation.gov.uk/ukpga/2016/12>
- ³⁶ **Small Business Commissioner – Prompt Payment Code:** <https://www.smallbusinesscommissioner.gov.uk/ppc/code-criteria/>
- ³⁷ **Small Business Commissioner:** <https://www.smallbusinesscommissioner.gov.uk/ppc/about-us/>
- ³⁸ **UK Government – check when large business pay their suppliers:** <https://www.gov.uk/check-when-businesses-pay-invoices#more-information>
- ³⁹ **Open data strategy for Northern Ireland 2020–2023:** <https://www.finance-ni.gov.uk/publications/open-data-strategy-northern-ireland-2020-2023>
- ⁴⁰ <https://www.gov.uk/government/publications/open-standards-principles/open-standards-principles>

Individual Council Prompt Payment data available here:

Antrim and Newtownabbey - <https://antrimandnewtownabbey.gov.uk/council/corporate-financial-performance/finance/2022/>

Ards and North Down - <https://www.ardsandnorthdown.gov.uk/about-the-council/publications/financial-reports/invoice-performance>

Armagh City and Banbridge – direct link to PDFs only, <https://www.armaghbanbridgecraigavon.gov.uk/download/21404/2021-22/44163/council-prompt-payment-analysis-2021-22-q4.pdf>

Belfast City Council - <https://www.belfastcity.gov.uk/audit>

Causeway Coast and Glens – annual PDF hosted on a standalone page <https://www.causewaycoastandglens.gov.uk/council/publications-policies/prompt-payment-statistics-for-qtr-1-2020-2021>

Derry City and Strabane - <https://www.derrystrabane.com/Council/Corporate-Documents-and-Publications/Prompt-Payment-Performance-2020-21>

Fermanagh and Omagh - <https://www.fermanaghomagh.com/your-council/policies/prompt-payment-performance/>

Lisburn and Castlereagh – Direct links to PDFs and word docs
[https://www.lisburncastlereagh.gov.uk/uploads/general/Prompt Payments for Internet.pdf](https://www.lisburncastlereagh.gov.uk/uploads/general/Prompt%20Payments%20for%20Internet.pdf)

Mid and East Antrim - <https://www.midandeantrim.gov.uk/council/policies-and-documents/financial-reports/prompt-payment-report-for-april-2022-to-march-2023>

Mid Ulster – PDFs and Docs only
<https://www.midulstercouncil.org/getmedia/b08e0f75-eb33-4dee-830f-ab4f4d4bbeb3/Prompt-Payments-Summary-2020-2021-accessible.pdf.aspx>

Newry, Mourne and Down - <https://www.newrymournedown.org/quarterly-payment-statistics>

ENDS//