TIME IS MONEY

The case for late payment reform

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WHO WE ARE

The Federation of Small Businesses (FSB) is a non-profit making, grassroots and non-party political business organisation that represents members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.5 million small businesses, microbusinesses and the self-employed.

We provide our members with a wide range of vital business services, helping them to start, run, and grow successful businesses through high-quality protection and support. This includes 24/7 legal support, legal and tax insurance, financial expertise, training and events, debt recovery, health and safety, payroll and pensions, help with care, and employment/HR advice – alongside a powerful voice in Government. FSB is the UK's largest business group and leading business campaigner, focused on achieving change which supports smaller businesses to grow and succeed.

Our lobbying arm starts with the work of our team in Westminster, which focuses on UK and England policy issues, the UK Government and Parliament. Further to this, our expert teams in Glasgow, Cardiff and Belfast work with Governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

TIME IS MONEY

The case for late payment reform

On average in 2022

52%

of small businesses **experienced late payments** in the previous three months

In 2022

25%

of small businesses on average reported an **increase in late payment** in the previous three months

Small businesses that **experienced an increase in late payment** during 2022 were more likely to **apply for credit** (**17%** compared to **9%** of those that did not experience late payment)

62%

of the British public feel that a **business should be paid within a week**

55%

of the British public would **support more controls** being put in place to **prevent businesses paying other businesses late**

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FOREWORD

The UK is almost unique in being a place where it is acceptable to pay small businesses late, and that will remain the case without further action. Thousands of small businesses are being held back not by a lack of ambition but by a systemic poor payment culture. There remains a lack of adequate protection for the self-employed and small businesses. Previous FSB research found that if late payments had been made on time and as promised, in line with other comparable countries, 50,000 business closures could be avoided each year.

The definition of prompt payment for a small business supplier, contained in the voluntary Prompt Payment Code, is to pay 95 per cent of invoices within 30 days. That is a far-off dream for many small firms. Our research has found in every quarter in 2022, the majority of small businesses experienced late payments. For one in four small businesses, they reported that late payments had got worse, quarter-on-quarter.

The small business community isn't alone in its concerns about late payment. The public agrees too. A consumer attitudes poll conducted by Public First, for the Federation of Small Businesses, found that a quarter of the public felt that suppliers should be paid within a week of invoice, which is a far cry from the reality.

It needs to become an urgent priority for the UK Government, or for those competing to become the next UK Government, to eradicate late payment. Existing initiatives, while commendable, were necessary but not sufficient. The economic headwinds that we face make addressing late payment more critical than ever. If you aren't convinced by the moral argument that it's simply wrong for larger businesses to treat smaller suppliers as a form of free credit, or indeed by the economic argument that solving this would be the single most effective measure to increase UK productivity, then you might be convinced by the fact that late payment causes small business owners to fear for the future of their business, undermining their mental health.

Since 2020, the small business and self-employed community in the UK contracted by a net half a million. With smaller businesses generally having much lower cash reserves than their larger counterparts, the clear risk is that late payment was already a contributory factor to this 10 per cent shrink and will now cause this number to rise. This report shows there is public support for the current UK Government, or a potential incoming Government, to get a grip and put in place the necessary reforms and controls. Clamping down on late payment will provide a massive boost to the economy and comes at no cost to the public purse. It should be right at the top of any UK agenda for growth. We welcome the fact that Government is looking at this problem, with its Prompt Payment and Cashflow Reviews. However, a review doesn't pay the bills – after numerous reviews in the last decade, it is action that matters. This report shows the way, outlining the evidence from small businesses, and solutions necessary to make progress. We call on the Government to implement these solutions with haste. Delay destroys businesses.

Tina McKenzie
Policy Chair

KEY FINDINGS

Small business experience

- On average through 2022, a quarter of small businesses (25%) reported more late payment than in the previous three months. The most affected sectors include:
  - Construction (34%)
  - Manufacturing (29%)
  - Professional, scientific, and technical activities (28%)
  - Information and communication (28%)
- On average through 2022, over half of small businesses (52%) experienced late payment in the previous three months. The most affected sectors include:
  - Education (69%)
  - Construction (64%)
  - Manufacturing (63%)
  - Administrative and support service activities (62%)
  - Professional, scientific, and technical activities (61%)
  - Transportation and storage (61%)
  - Information and communication (60%)
  - Human health and social work activities (55%)
  - Arts, entertainment and recreation (41%)
- Small businesses that experienced an increase in late payments during 2022 were more likely to apply for credit (17% compared to 9% of those that did not experience late payment).
- One in ten small businesses (11%) applied for credit in 2022. Of those that applied for credit in 2022, 37 per cent applied for credit to help manage cash flow.

Public perceptions

- 62 per cent of the UK public felt that a business should be paid within a week.
- 55 per cent of the UK public support more controls being introduced to stop businesses paying suppliers late, compared to only 11 per cent who think more controls should not be introduced.

RECOMMENDATIONS

The UK Government should:

- Give Audit Committees of large companies oversight of payment practices and report on this in the firm's annual report. (p32). Compel the Financial Reporting Council to include payment practices in annual reporting guidance to corporates. (p32)
- Mandate and require the Small Business Commissioner (SBC) to directly refer poor payers to the disbarment from public procurement list; to proactively investigate companies where the SBC has reason to suspect poor payment practices may exist; and to investigate poor practices at the request of certain trusted third parties, including Parliamentary Committees. The SBC should restart and amplify the 'name and shame' process. (p32)
- Publicly commit to limiting maximum payment terms to small suppliers in law by 2027, if payment practices do not significantly improve. (p20)
- Expand requirements under Duty to Report payment practices and performance to include additional data, including payment practices and performance in relation to large businesses' small suppliers; terms offered in supply chain finance arrangements; performance in relation to retention payments; the proportion or number of purchase orders provided after one week; and the proportion or number of invoices which are disputed. (p33)
- Require corporates to report the median value of payments due but not paid. (p34)
- Require a greater level of geographic and sectoral information in payment practices reporting to increase scrutiny available to local and devolved governments. (p20)
- Require signatories to the Prompt Payment Code (PPC) to confirm their compliance with the Code annually; this should be supported by random audits. (p34)

Public funding, tax reliefs and public procurement

- Prevent corporates with poor payment practices from receiving taxpayer funds or grants, including from bodies such as Arts Council England, Innovate UK and local authorities. (p20)
- Prevent corporates with poor payment practices from claiming any non-structural Corporation Tax reliefs. (p20)

- Amend the current Procurement Bill so that poor payment practices and performances lead to debarment from public sector contracts, and a company being placed on the new debarment list. (p21)
- Make the Prompt Payment Code mandatory for all local authorities. The Department for Levelling Up, Housing and Communities (DLUHC) should create a new local authorities Payment Practices league table with financial incentives for those at the top and bottom. (p21)
- Form stronger links between the Small Business Commissioner and the Public Procurement Review service. (p35)

Retentions

- Include retention payments within the maximum 30 days payment terms standard, and set retention payments to a maximum of 3 per cent of total contract value, as well as including them in Duty to Report requirements. (p22)
- Support and expand project bank accounts, and ringfence retentions payments so they cannot be used for working capital, to disincentivise abuse of the system. (p22)

Technology, awareness raising and practical support

- The Small Business Commissioner should introduce app-based reporting and a proactive communication campaign to encourage freelancers and the self-employed to report and manage poor payment by their clients. (p35)
- Innovate UK should fund private sector innovation to provide more tools for small businesses to cope with late payment. (p22)

LATE PAYMENT ACROSS THE SMALL BUSINESS LANDSCAPE

Small and medium-sized businesses make up 99.9 per cent of all businesses in the UK and make a huge contribution to the UK economy. There were 5.5 million small businesses in the UK at the start of 2022. However, that compares to a figure of 5.9 million in 2020, showing a significant fall in the population of small businesses within the space of two years.[1]

Small businesses continue to face a pervasive problem of poor payment practices, a problem which has plagued the economy for far too long. The impact on small businesses is severe, with late payments leading to small firms running into cash flow problems, having to rely on overdraft facilities, and facing slowdowns in profit growth.

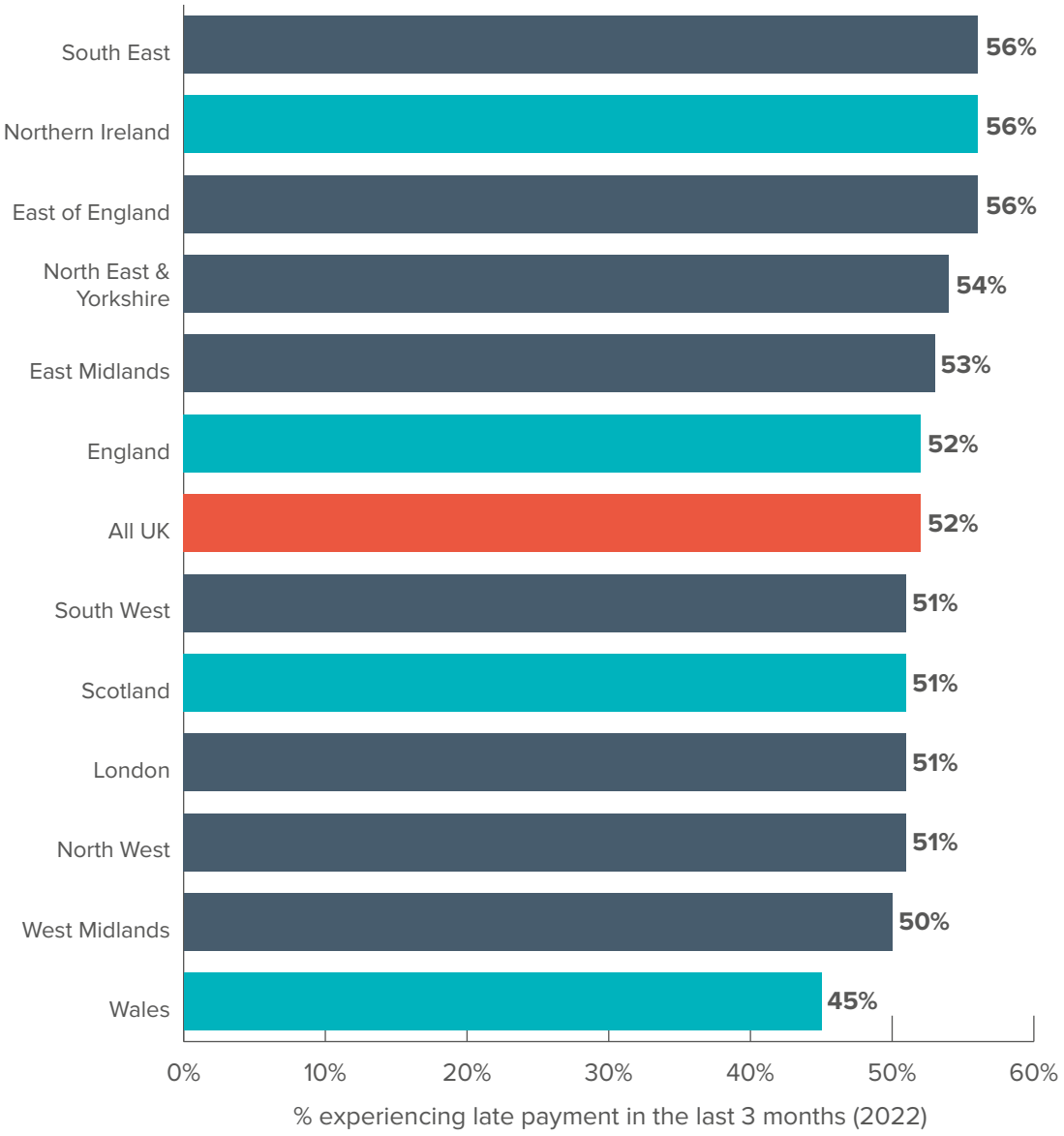
In June 2020, FSB published a report, *Late again: How the coronavirus pandemic is impacting payment terms for small firms*.[2] Our research found that 62 per cent of small firms were subject to late or frozen payments in the wake of the COVID-19 outbreak. The economy has struggled to grow following the pandemic with rising inflation, the onset of the war in Ukraine, and an increase in energy prices resulting in a cost of doing business crisis throughout 2022 and into 2023.

From January to December 2022, FSB tracked the performance of the self-employed and small business community across the UK throughout 2022, including their experiences of being paid on time. Our research shows that on average in 2022 at least half (52%) of small businesses had experienced late payments in the previous three months, with a quarter (25%) stating that instances of late payment increased.

1 2022, UK Government Business population estimates 2022
2 2020, FSB Late Again: How the coronavirus pandemic is impacting payment terms for small firms

Figure 1: Late payment experience of small business owners and the self-employed in 2022 by nation and region

Source: FSB, Small Business Index (Jan-Dec 2022)



Our research found there is some national and regional variation, with fewer small businesses based in Wales on average (45%) reporting a late or delayed payment from their customers. On average in 2022, small businesses in Northern Ireland were slightly more likely to report a late payment in the past three months, with 56 per cent stating they have dealt with poor payment practice. Small businesses in the South East of England were more likely on average to have reported late payments in the previous three months (56%) compared to 52 per cent of small businesses in the UK.

Payment length and terms

According to data from accounting software provider Xero's recent research, small businesses waited an average of 30.5 days for payment in January 2023. During the pandemic small businesses experienced an average of 32 days for payment.[3] Of invoices with payment terms and due dates, small businesses waited an average 8.4 days for their payment once it was late. Research from Xero also shows small firms in London were more likely to experience longer payment waiting times, with an average of 33.7 days.

These payment length statistics highlight the disparity between behaviour and agreed best practice. Many large businesses are signed up to the Prompt Payment Code (PPC), committing to 95 per cent of invoices being paid within 30 days. Publicly available data from Duty to Report figures[4] shows that many of these large businesses fail to pay over 95 per cent of their invoices within 30 days and are not suspended[5] or removed from the PPC list.

In February 2022, Good Business Pays published the Late and the Slow Payment Watchlist 2023 report (see Appendix A).[6] The report found that more than 70 companies have a poor payment practice, with an average payment time of 83 days. Two-thirds of the 75 worst performing companies listed reported over two-fifths of their invoices being paid later than agreed terms. An average of 60 per cent of invoices paid by these companies were paid later than 60 days in the 2022/23 reporting periods.

Good Business Pays

Government policy and public opinion often support the idea of shorter payment terms and stronger controls on larger businesses that pay late. There is also a disparity between reality and the expectations of the public when it comes to late payment. A nationally representative survey of the public carried out by Public First in June 2022 found that over half (55%) of UK adults support more controls in place to stop business from paying other businesses late. A third strongly support more controls on late payment. In addition, 62 per cent of the public felt that a business should be paid within a week, with a fifth (19%) saying payments should not take longer than a few days.[7]

3 2022, Xero. Small Business Insights Global Updates and Data
4 2022, UK Government. Check when large businesses pay their suppliers
5 2022, Small Business Commissioner, What is the PPC: Suspensions and Removals
6 2023, Good Business Pays. The Late and Slow Payment Watchlist 2023
7 2022, FSB. Public perceptions of small business.

Cash flow, access to credit and business viability

Late payment can have a significant impact on small businesses. A main concern is the contribution to cash flow difficulties, which can in turn affect the ability to pay bills and the business's own suppliers. As payment terms become more unpredictable, small firms find it more difficult to invest and grow without certainty that they can rely on their clients to pay.

> **"Sometimes we experience a squeeze with cash flow. Not getting paid on time means having to stretch payments to our suppliers and it creates a domino effect."**
>
> FSB member, Construction, North West

Late payment is just one aspect of the larger picture of financial difficulties that small businesses face. With costs rising, consumer confidence down, and interest rates increasing, many small businesses are likely to feel the pinch when it comes to their cash flow. When costs go up, small businesses need to find more money to pay for their expenses, which can be difficult if they are already stretched.

Consumer confidence fluctuations along with increasing interest rates can also add to the financial stress that small businesses face. Higher interest rates increase the cost of borrowing, making it more expensive for small businesses to take out loans or lines of credit. This can put additional pressure on their cash flow and make it more difficult for them to keep their heads above water.

Unfortunately, financial stress affects large businesses too, and it can also result in larger businesses putting in place longer payment terms for their suppliers or paying them late. This practice can have a detrimental impact on small suppliers. By treating small suppliers as a source of free credit, larger businesses can take advantage of the extra time they have to hold onto the money that they owe. This can result in small businesses struggling to make ends meet, as they are waiting longer to get paid for the goods or services they provide.

Data from the Office for National Statistics (ONS) highlights the vulnerability of small businesses when it comes to their cash flow and financial stability. The ONS data shows that small businesses often have less financial cushion and fewer resources to fall back on, compared to larger businesses. Thirty-six per cent of micro businesses report having less than three months of cash reserves, which compares to only 18 per cent of large businesses (250+ employees). This can mean that smaller businesses are more susceptible to financial stress and difficulties caused

by late payments, particularly when faced with challenges like rising costs, declining consumer confidence, and higher interest rates.[8]

This disparity in financial stability between small and large businesses highlights the need for further intervention from the UK Government to protect vulnerable small businesses. Given the power imbalance that exists between small and large businesses, the UK Government can play an important role in ensuring that small businesses are not subjected to abuses from larger companies.

Finance underpins small business investment and subsequent growth. Although cash deposits have grown over time, the average small firm still requires external finance to be able to adequately invest and expand its business – this is especially true for sole traders and microbusinesses whose cash holdings are much smaller than small or medium businesses. When small businesses experience cash flow problems due to late payment, they may look to apply for credit as a solution. This can include applying for a loan, a line of credit, or a business credit card.[9]

FSB's Small Business Index (SBI) shows 37 per cent of small business applications for credit in 2022 were used to help manage cash flow. Concerningly, on average in 2022 small businesses which also experienced an increase in late payments in the previous three months were almost twice as likely to apply for credit compared to those not experiencing late payments (17% vs. 9%).

However, applying for credit can be challenging for small businesses, especially those that have experienced cash flow problems due to late payment. Lenders may view the business as a higher risk and may be less likely to approve the loan or credit line. FSB's SBI 2022 data shows that small business owners aged up to 45 are more likely on average to have experienced late payments in the previous three months compared to owners aged over 45 (58% vs. 51%), and to see frequency of late payments increasing (37% vs. 23%).

The impacts of this higher burden on younger business owners are also seen in financing behaviour. FSB's *Credit Where Credit's Due* report found that small business owners aged up to 45 applied for a greater variety of financial products. However, the report also found that those aged under 45 that applied for credit for business purposes were also more likely to be unsuccessful in their credit application compared with small business owners aged over 45 (57% vs. 39% respectively). This disparity in success rates will likely be due to a number of factors, such as lack of credit

8 2023, ONS. Wave 74 Business insights and impact on the UK economy
9 2022, FSB, Credit Where Credit's Due: Small businesses and the need for external finance for investment and growth.

history, limited assets, or insufficient cash flow; all of these factors can be compounded by late or delayed payment.

These challenges can have serious consequences for younger business owners, as they may find it more difficult to secure the required financing they need to grow their businesses. This can limit their ability to invest, expand their operations, and create jobs. In addition, the uncertainty and stress associated with securing financing can also have a negative impact on their well-being and quality of life.

"When you take out a loan due to not being paid on time this affects your credit rating. I've gone to the bank to take out some credit, and they rejected it. They said they couldn't give me £2,000 credit facility a month (which needs to be paid every 28 days) because I've got supplier payments outstanding. There's no chance. This then in turn impacts how other businesses deal with you and the cycle continues."

FSB member, Retail, London

NatWest has partnered with FSB for the provision of cost-of-living support services to NatWest business banking customers. Through NatWest funding, FSB will provide easily-accessible resources and support to help businesses cope with the cost of doing business, including information on readying your business for funding and managing late payments. In 2023, FSB will deliver a 6-week series of webinars relating to being funding ready and managing late payments and debt recovery.

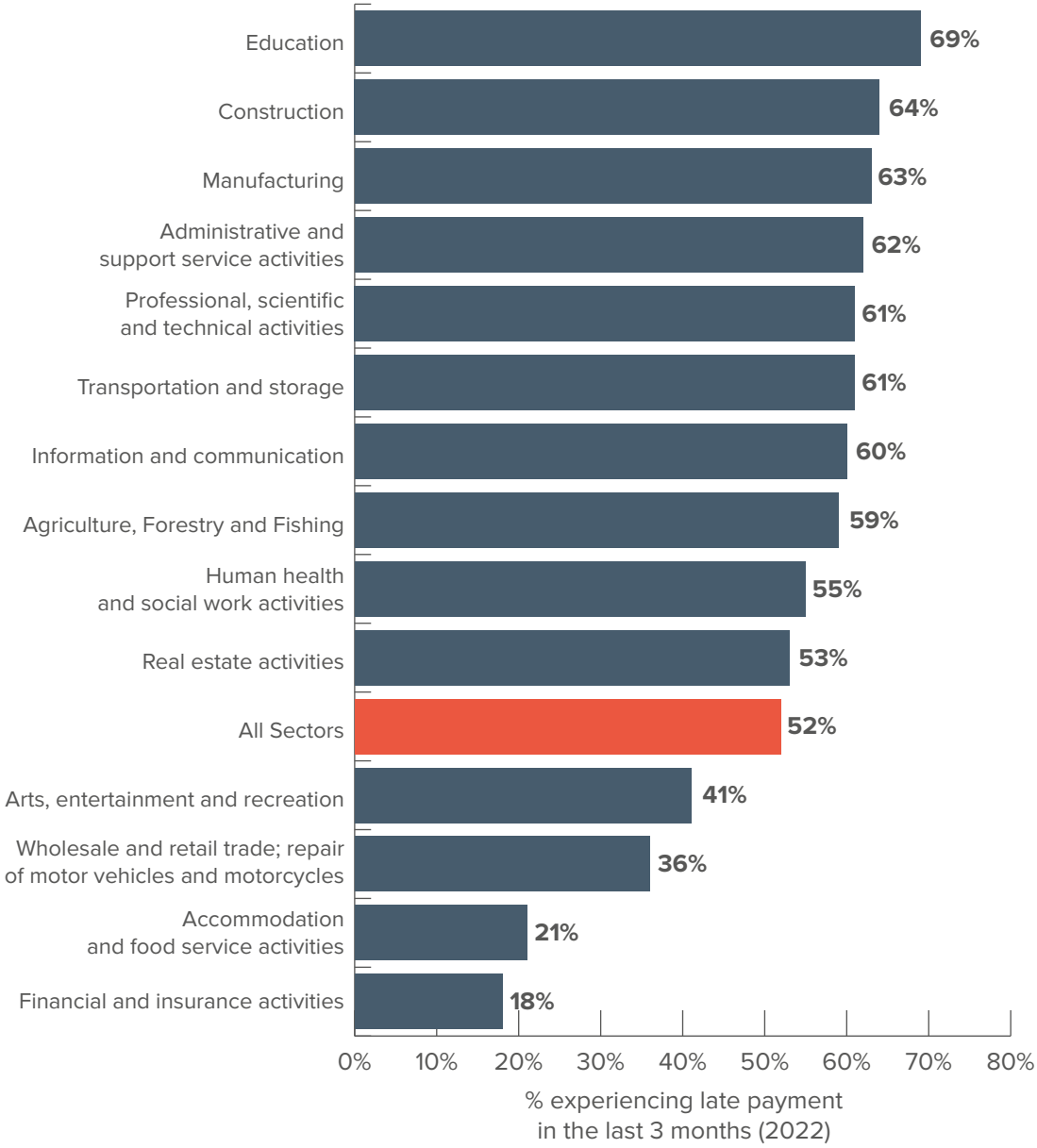
NatWest Group cost of living support measures

LATE PAYMENT BY SECTOR

Late payment practice varies significantly across sectors. Unsurprisingly, firms in the business-to-business (B2B) sector are hit far harder than those in business-to-consumer (B2C). The problem is most prevalent in the education, manufacturing and construction sectors, with 69 per cent of small businesses in the education sector, 64 per cent of smaller businesses in the construction sector and 63 per cent in manufacturing stating they experienced late payments in 2022.

Figure 2: Late payment experience of small business owners and the self-employed in 2022 by sector

Source: FSB, Small Business Index (Jan-Dec 2022)



When looking at smaller sector groups the data presents interesting findings. Over two-thirds (69%) of small firms in the education sector experienced late payment in 2022. Small firms in transport and storage (61%) and human health and social work activities (55%) also report an above average rate for late payment experience.

For some small businesses in education, one of the contributing factors may be that these are often sole-trader businesses and may have limited leverage to enforce payment. They may not have the resources or the legal expertise to pursue late payments, making them more vulnerable to payment delays.

FSB research shows that 32 per cent of small businesses did not experience late payments, and their payment terms did not change during 2022. Nearly half of small businesses in accommodation and food services (47%) did not report a late payment, and their payment terms did not change during 2022.

“Some customers are quite good, if they get a phone call and we give them a bit of a nudge - we can normally work with that. But we are finding more and more we are having to nudge more often, say once every three months to come to pay. Once every couple of months we find there’s several customers who were just sending us a letter or an email telling us the new terms.

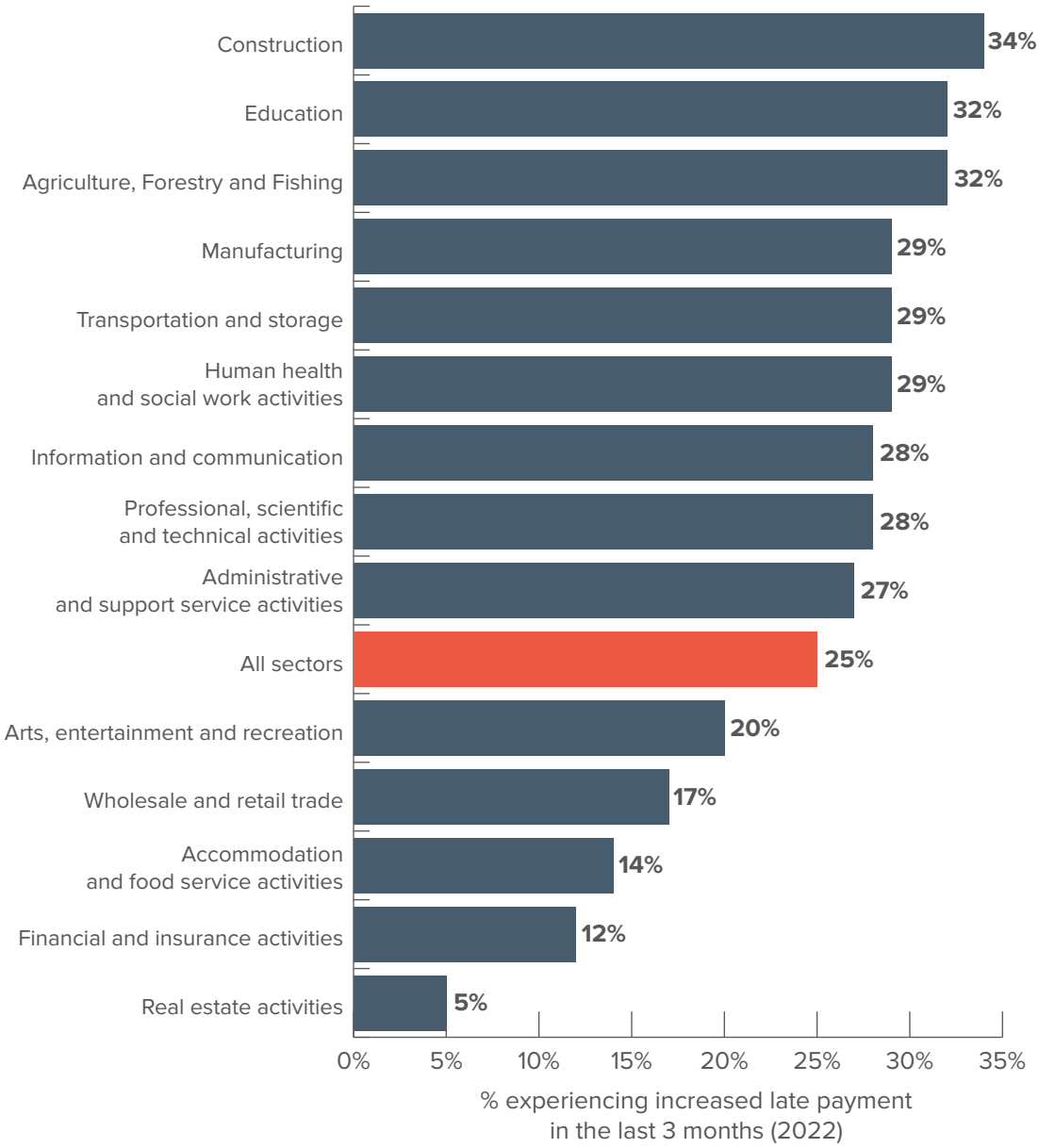
So, for some we are going on to 45 days or we are going on to 60 days, kind of take or leave it. I’m surprised by some of the size of those customers. It can be the big blue chips, but it can also be smaller consultancy firms.”

FSB member, Construction, North West

Those within the financial and insurance sector, on the other hand, were the least likely to have experienced late payment, and were far more likely to state they were always paid on time (18%).

Figure 3: Small businesses that experienced an increase in late payment in 2022 by sector

Source: FSB, Small Business Index (Jan-Dec 2022)



It is concerning that one in four (25%) small firms reported an increase in late payment during 2022 (Figure 3). Again, B2B sectors such as construction (34%) stand out. Sectors such as information and communication (28%) and professional, scientific, and technical activities (28%) also reported a rise in late payment which is concerning and suggests that the scourge of late payment is becoming endemic across the economy.

Retention payments in the construction sector

Late payment is a persistent problem in the construction sector, and it is particularly challenging for small subcontractors and suppliers. One of the reasons for this is the widespread use of retention payments, which can result in suppliers and subcontractors not receiving the full amount due for their work for several months, or even years, after completion of the project.

Retention payments in the construction sector refer to a portion of the payment that is withheld by the client or main contractor as security against any defects or remedial works that may be required at the end of a construction project. Retention payments are frequently five to 10 per cent of the contract value and are held in a separate bank account for a specified period of time after the completion of the works.

The extended periods of time over which retention payments are held, combined with the complex and often lengthy payment processes in the construction industry, can result in severe difficulties for small businesses, who may have limited resources and cash flow. These difficulties are compounded by the fact that the construction industry is highly competitive and often involves long payment chains, with multiple sub-contractors and suppliers working on a project. This makes it difficult for small businesses to pursue timely payment, especially if they are reliant on a main contractor or client to pass on their payments.

FSB welcomes the consideration of retention payments in the Government's 2023 consultation on payment practices regulation.[10] Increasing transparency by requiring large businesses to show information on the standard retention payment terms they offer will improve the information Government and suppliers have in choosing to work with businesses with good payment practices. This should, however, be aligned with other enforcement measures outlined in this report to offer more incentive to large businesses to work towards 30-day payment terms throughout their supply chain.

10 2023, Department for Business, Energy & Industrial Strategy. Amendments to the Payment Practices and Performance Regulations 2017 <https://www.gov.uk/government/consultations/amendments-to-the-payment-practices-and-performance-regulations-2017>

"I probably spend about £60,000 a year, just chasing payments. Things that should be paid. A client owes me £15,000 for work that we delivered last year called me this morning, they said 'we'll pay you, but we just need you do this extra piece of work first, so that I can get my draw down from the bank.' So, they want me to do more work, for another thousand pounds, but won't pay me for the work I've already done?

It is in the contract, but it is a significant abuse of a system. For instance, we've got an agreement in place that you, the client, will hold back five per cent and I'll be paid that at the end on project completion. But what the client then does is use that as an opportunity to find flaws with the project and not pay back that five per cent.

So, a combination of it is part of this poor payment practice overall, but also retention payments in the constructor sector – we are suffering. They hold on to the five per cent of your money, don't pay you, then they go bust. You never get the money back and hence there's potentially six billion pounds lost overall in the UK to retentions."

FSB Member, Construction, South East

Recommendations

UK Government should:

- **Publicly commit to limiting maximum payment terms to small suppliers in law by 2027 – if payment practices do not significantly improve.** Legislation to limit payment terms should be a last resort, but the Government must send a tough signal to UK corporations that the current situation will not be tolerated. A commitment to bring in legislation to bring all payment terms to small businesses within an acceptable standard balances a justifiable concern regarding unintended consequences with an overwhelming need to act if the other measures outlined in this report do not prove sufficient to resolve this fundamental drag on the UK economy. This commitment would improve the UK's global standing, at a time when it languishes behind all comparative competitor nations with regards to payment practices.
- **Require a greater level of geographic and sectoral information in reporting to increase scrutiny available to local and devolved governments.** There is also a case for further geographic information being included in Duty to Report data, to increase scrutiny of payment practices at a national level and, for example, at combined authority level. It is important to empower elected officials and civic leaders, at whatever level, to hold firms to account, and respond to poor performance. Government should consider the best information that can be required in order to do so as part of Duty to Report.
- **Prevent corporates with poor payment practices from receiving taxpayer funds or grants, including from bodies such as Arts Council England, Innovate UK and local authorities.** Poor payers should not benefit from public funding. The UK Government should not subsidise companies engaged in supply chain bullying, poor payment practices, or using lengthy payment terms.

  Duty to Report data should be used to automatically disqualify firms with poor payment practices or lengthy payment terms from any public funding, including from Government Departments, non-departmental public bodies (NDPBs), Combined Authorities, Local Enterprise Partnerships (LEPs) and local authorities.
- **Prevent corporates with poor payment practices from claiming any non-structural Corporation Tax reliefs.** The UK Government forgoes around £12bn each year in revenue from non-structural Corporation Tax reliefs designed to promote economically and socially useful outcomes. These reliefs are mainly well-designed. However, given the substantial amounts of forgone revenue, the UK Government

should act to ensure that poor payers are not being supported by reliefs designed to support, not hinder, economic growth. A payment practices test, using Duty to Report data, should be used as a disqualifying criterion for claiming any non-structural Corporation Tax reliefs.

This would apply to: Animation Tax Relief, Children's TV Tax Relief, High-End TV Tax Relief, Theatre Tax Relief, Video Games Tax Relief, Museums and Galleries Exhibition Tax Relief, Orchestra Tax Relief, Film Tax Relief, Land Remediation Relief, Research and Development Tax Relief: R&D Expenditure Credit, and the Small and Medium Companies Scheme, Patent Box, Tonnage Tax, Capital Allowances: Ring-Fence Oil Business Trades, first-year allowances for plant or machinery, and Allowances against Supplementary Charge.

- **Amend the current Procurement Bill so that poor payment practices and performances lead to debarment from public sector contracts and a company being placed on the new debarment list.** The Procurement Bill, currently progressing through the House of Commons, includes a new debarment list and new powers to prevent companies from bidding for public contracts in future, for example as a result of past poor performance such as failure to meet KPIs.

  The Government should amend the Bill so that poor payment practices and performance lead to a company being placed on this debarment list. Duty to Report data enables the Government to do this in a timely and efficient manner, and not including poor payment as a reason for debarment sends an extremely poor signal as to what Government does and does not consider acceptable.

  The Procurement Bill should also be further amended so that maximum payment terms by a contracting authority are extended to every Tier 1 or Tier 2 supplier in a public contract supply chain, preventing the current risk of a 'poor payment cascade'. It is primarily the taxpayer and public services which lose out when small businesses are unwilling to enter public sector supply chains due to fear of poor payment practices by strategic suppliers or other aggregators.

- **Make the Prompt Payment Code mandatory for all local authorities**; **the Department for Levelling Up, Housing and Communities (DLUHC) should create a new local authorities Payment Practices league table with financial incentives for those at the top and bottom.** All local authorities should be mandated to sign up to the Prompt Payment Code in order to provide greater transparency and accountability around local authority payment practices.

DLUHC should also create a league table comparing the payment performance of local authorities throughout England, with the top and bottom performers facing a direct financial incentive for their next year's budget. Performance would be based upon percentage of invoices paid within the 30-day maximum payment period. An automated ring-fencing of funding would be mandated in local authorities with consistently poor performance, for the purpose of improving the processing of suppliers' invoices. This builds on a successful pilot for Northern Ireland local authorities, led by FSB.

- **Include retention payments within the maximum 30 days payment terms standard and set retention payments to a maximum of 3 per cent of total contract value, as well as including them in Duty to Report requirements.** Not only should retention payments form part of Duty to Report and other payment reporting, but they should also be limited to mitigate their impact on less resilient small businesses in the supply chain. The payment of retention funds should also conform to the 30-day maximum length as per the current Prompt Payment Code and other recommended measures in this report.
- **Support and expand project bank accounts, and ringfence retentions payments so they cannot be used for working capital, to disincentivise abuse of the system.** For any retention payment agreements, use of a segregated account opened by a third party (e.g. an escrow agent) for the purposes of holding cash should be required, given positive experience of project bank accounts, for example by Highways England.

  The use of project bank accounts more widely can help mitigate the risk of late payment. In construction, ring-fenced accounts could be set up specifically for a project. This account would be controlled by a third party, such as a trustee or escrow agent, and used to hold funds for the purpose of paying subcontractors and suppliers. The use of project bank accounts helps ensure that subcontractors and suppliers are paid on time and that the funds for each stage of the project are kept separate, reducing the risk of funds being misused or delayed.
- **Fund private sector innovation to provide more tools for small businesses to cope with late payment.** There is always scope for new private sector innovation to resolve difficult challenges; however, this is better delivered directly through supporting small business innovation, rather than indirectly via grant organisations such as Innovate UK. FSB opposes the Government's decision, as it stands, to withdraw support in the tax system from small business innovation and is sceptical of

the ability of bodies like Innovate UK to appropriately target resources on needed innovation.

However, Innovate UK could use its budget to launch a competition to support small businesses tackle late payments. This would need to be carefully constructed and broadly communicated, as previous Government consultations, such as a FinTech challenge for late payments, were not successful.

Local Authorities

Late payment is widespread within UK Government supply chains. Public authorities locally and nationally can have a considerable impact on small businesses and the wider supply chain by keeping to their payment terms and closing small business invoices as rapidly as possible.

Freedom of Information (FOI) data collected by DELV on local authority payment in 2021 shows over eight per cent of invoices were paid later than the 30 days statutory obligation.[11] County councils are the worst performers, with an average of 9,000 invoices paid late per year. For many small businesses, their local authority accounts for a significant portion of their income, so an improvement on local authority payment practices would deliver much-needed reassurance and stability for small firms.

Currently, local authorities who do pay small businesses promptly will understand that they derive benefits from doing so. These benefits will include supporting their local economies and facilitating smoother delivery of their contracts. If a local authority is thinking commercially, it will see the benefit to itself of prompt payment in ensuring an effective supply chain.

Local authorities that are poor payers may not be realising the economic and supply-chain benefits. A payment performance league table for all local authorities should be published with the best and worst performers receiving financial reward or penalty. This way, all local authorities would have a strong incentive to pay promptly, alongside regular audits of the Prompt Payment Code.

In Scotland, prompt payment is a mandatory requirement of the Procurement Reform (Scotland) Act 2014.[12] The Act requires public bodies to include a statement on prompt payment in their Procurement Strategy (required by public bodies which have an estimated total value of regulated procurement spend of £5 million or more [excluding VAT] in a financial year).

11 2021, DELV. Late Payment of Invoices in the Local Government Sector
12 2014, Scottish Parliament. Procurement Reform (Scotland) Act 2014

In Wales, legislation is being progressed through the Social Partnership and Public Procurement Bill which includes an intention for major construction contracts to bring about improvements to economic, social, environmental and cultural well-being.[13] This will include prompt payment for suppliers, and providing opportunities to small firms when subcontracting. This intention should seek to be further embedded, to guard against late payments and bolster opportunities for small businesses.

In Northern Ireland, FSB recently launched the Prompt Payment Scorecard which examines public sector payment performance.[14] The research shows 234,000 invoices were paid beyond the legal requirement of 30 calendar days by public sector bodies in Northern Ireland in 2021/22. Reasons for almost all late public sector payments remain unreported, while the overall publication of public sector prompt payment data remains inconsistent, and incomplete.

Social care

Local authorities typically only pay for individual packages of care for adults assessed as having high needs and limited means. They commission most care from the private and voluntary sectors, with home care and care homes the most common services. Many of these organisations are small enterprises integral to their local communities.

FSB research shows that 55 per cent of small firms in human health and social work activities experienced late payments in 2022. In the wake of the pandemic FSB received reports from small social care and domiciliary organisations experiencing significant delays in payment.

"The social and domiciliary care sector has many challenges right now: staff shortages are very high, training costs have increased sharply, and this is in addition to inflation and energy costs that all businesses have to deal with.

There's a large variety of ways social care businesses get paid for their services. The frameworks and arrangements with local authorities and private commissions mean there are far more opportunities for late payment to occur. Consistency of resourcing, staff, and guidance in local authorities is key if debilitating poor payment practice is to be resolved. I go to different local authorities, and they'll have different requirements for invoicing, which adds more complexity and delay to our work being paid for.

13 2022, Welsh Government. Social Partnership and Public Procurement (Wales) Bill
14 2022, FSB. Never Better Late

There are a large number of organisations with responsibility for different aspects of care. Very often this means disagreement about how much should be paid, but also who needs to pay that bill. There are many circumstances where local authorities will just refuse to pay for our work because it falls slightly outside of the initial care plan. But when people need individual care, their circumstances can change all the time. I have to employ someone purely to chase payments and attempt to resolve these disagreements. One complex care case I have had which isn't atypical eventually ran costs up to £80,000 and we were only able to recover a fraction of that.

We have to fight for over a year to get paid for some cases. This just means I can't afford to pay or train my staff as needed to retain them for the long term.

I've got some reserves. But there's been times when I've been about to put my own personal money in and start looking at where the hell do I get £20-30,000 from this month - to make payroll because I'm not getting paid. This is why so many care businesses are closing. They're not getting paid properly and they're not getting paid on time due to inconsistent guidelines and disorganisation."

FSB Member, Social Care, East Midlands

TACKLING THE UK'S POOR PAYMENT CULTURE

There are several key policy levers that can be used to improve the poor payment landscape for small businesses. The Small Business Commissioner (SBC) and the Prompt Payment Code (PPC) are two of the key mechanisms in place at the moment.

Small Business Commissioner

FSB has long supported the role of the Commissioner, a position which is well-placed to take a prominent role in driving the culture change that is needed in business-to-business contractual practices. FSB called for the role to be established and was grateful to be included in the recruitment and interview process for each of the three people to have so far held the role.

The Small Business Commissioner was introduced in the UK as a response to a Department for Business, Energy, and Industrial Strategy consultation in 2015. The role of the SBC is to provide support to small businesses experiencing late payments, working to overcome the imbalance of power between small and large businesses.

However, there are limited levers the SBC can pull to address the issue of late payments. In the SBC's 2022 annual report, the SBC responded to 261 enquiries, but most of these were very late in the process and were used as a last resort.[15] Despite much effort, the SBC still struggled to balance the power between small and large businesses.

One limitation of the SBC's powers is that only direct enquiries from small businesses can be responded to, unlike other countries where public bodies can respond to parliamentary inquiries and have the potential to penalise poor payers. In Australia, the Small Business and Family Enterprise Ombudsman was established in 2015 and has more resources to respond to queries. In 2020-21, the Ombudsman in Australia resolved a total of 5,783 disputes filed by small businesses and public bodies.[16]

By strengthening the role of the SBC, the UK could take a more proactive approach to addressing the issue of late payments and better support small businesses. This would align the UK with other countries, such as Australia, that have established public bodies with similar powers to respond to parliamentary inquiries and penalize poor payers.

15 2023, Small Business Commissioner. Office of the Small Business Commissioner annual report and accounts 2021 to 2022

16 2021, Department of the Treasury, Australian Government. Annual Report: Australian Small Business and Family Enterprise Ombudsman

> **"At one point I had about £10,000 worth of invoices outstanding, from a big client (housing association). They're huge businesses, but they are the worst players in this game. They are the worst, but they have the upper hand because you can't rattle that cage too much because you can lose your business with a potential £50-60,000 loss across the whole."**
>
> FSB member, Retail, London

While the introduction of the SBC in the UK is a positive step towards supporting small businesses facing late payments, there is still much work to be done in terms of providing the Commissioner with the necessary resources and powers to effectively address core issues.

Providing more funding resources to the SBC could enable comprehensive awareness campaigns, targeting small firms to show what services are available. These resources can also support an increased number of investigations. Making debt recovery more accessible to small businesses can have a significant impact, as small businesses often have limited resources and are less able to spend time and money chasing debts or initiating expensive legal proceedings to get the money they are owed. FSB's debt advice service has been a lifeline for hundreds of businesses struggling to recover payment owed to them while other costs increase. The SBC should use its resources to enhance campaigns and awareness of rights businesses have in retrieving unpaid funds.

To further support small businesses and address the issue of late payments, the SBC could benefit from having increased powers and resources. Currently, the SBC only responds to direct enquiries, which limits its ability to help small businesses proactively. However, with additional resources and investigatory powers, the SBC could become a more effective advocate for small businesses and take a more proactive approach to addressing the issue of late payments.

Call to Action to small businesses

FSB encourages small businesses to consider negotiating for upfront payments, even with corporates who don't normally offer this option. This may not be possible in all cases, but introducing payment terms including a proportion up front can significantly mitigate cash flow issues for small businesses. This is especially the case in sectors where high initial costs can sometimes make it impossible for businesses to accept work.

In addition, we also encourage small businesses to invoice for interest, using the newly revised calculator on the SBC website,[17] as invoicing for interest is an important right a business has in protecting its income.

Prompt Payment Code

The Prompt Payment Code (PPC) is a key mechanism for improving payment practice for small businesses. FSB supports the latest reforms introduced in 2021 to improve the PPC.[18] However, senior directors submitting PPC applications, the use of Payment Practices Reporting Data (PPR), and more engagement from code administrators could make the PPC more effective in tackling late payments for small businesses.

Transparency should be increased and regular audits should be carried out to ensure all signatories are compliant. Any associated PPC logo and reputational benefits for signatories should be revoked for companies failing to meet the requirements. An associated review of signatories would add accountability for small businesses who rely on this information to build trusting relationships with their larger clients.

Making this code mandatory for local authorities would complement the wider accountability direction proposed in the current Procurement Bill. Local authorities in both internal and external audits should be held accountable for any failures to meet PPC requirements. While FSB recognises that this is a tall order for some local authorities, their inclusion on the PPC should not just be for appearance purposes.

17 2023, Small Business Commissioner. Calculate interest on an unpaid invoice
18 2021, Department for Business, Energy & Industrial Strategy. Government tackles late payments to small firms to protect jobs

Duty to Report

The Duty to Report process requires larger businesses to disclose information about their payment practices, such as average payment terms and the percentage of invoices paid on time.[19] This is vital to increase transparency and accountability and should allow small businesses to make more informed decisions about which companies they choose to do business with.

Most companies with a Duty to Report have above £36 million annual turnover and are adequately resourced for the administration of invoices. Large businesses have a disproportionate impact on the self-employed and small businesses, as they have more power to influence payment terms and delay payments. This can be particularly challenging for small businesses that rely heavily on the business of larger companies.

Unfortunately, the Duty to Report data has not driven change at board level for many large businesses. Prompt payment ought to be seen as a priority at board level. Payment speed needs to be treated as an indicator of how well-run a business is, as well as an indicator of how robust supply chains are. More action is required to put this on the agenda of boards, and audit committees have a role to play.

Call to Action to the public and investors

Duty to Report publications should be highly scrutinised by the public, pension funds, and other investors. Payment practices are a key indicator of ethical corporate operation, and the decisions of these groups carry a significant impact.

FSB encourages any public or private investment decision to consider payment practices and their impact on the wider business community. Investors should also recognize the reputational risk of forming partnerships with poor payers. In addition to the financial impact, partnering with a company that has poor payment practices can damage an investor's reputation and undermine their ethical values. It is essential that investors take a stand against poor payment practices and promote transparency and responsible business practices.

For investors and the public to be able to adequately assess payment practices using Duty to Report, the transparency and accessibility of these publications need to be improved.

19 2019, Department for Business, Energy & Industrial Strategy. Business payment practices and performance: reporting requirements

Public procurement and strategic suppliers

Strategic suppliers provide goods and services that are critical to the delivery of essential public services. The Cabinet Office identifies these suppliers as strategic suppliers. The Crown Commercial Service is responsible for securing best value for taxpayers when the UK Government buys common goods and services. The Government recognises the importance of managing its relationships with strategic suppliers, on a cross-Government basis, by observing their performance in the delivery of public services and monitoring financial health.[20]

By working with strategic suppliers to promote good payment practices, the Crown Commercial Service can help to show leadership, ensure that taxpayer funds are being used responsibly, and support the financial stability and competitiveness of the SME sector. Importantly, not all strategic suppliers comply with Prompt Payment Code standards, as some of these large businesses do not pay 95 per cent of their suppliers within 30 days.

Public procurement, through using the Duty to Report data, has a vital role to play in protecting small businesses and their certainty of cash flow, especially during times when the economy is volatile and so payments are disrupted. 30-day payment terms should be the maximum payment length allowed across the whole economy, when taxpayers' money is involved.

The UK Procurement Bill is currently progressing through Parliament.[21] This type of legislation can help to ensure that all businesses are playing by the same rules, which can help to create a more level playing field. The implied 30-day payment term within the Bill is a positive step, though a 30-day maximum cascaded through the supply chain would have a greater impact. Other countries have gone even further: for example, the Netherlands has already introduced such a standard by default in government for all B2B contracts.[22]

Enforcement is also an important factor. Government has committed to strategic suppliers being disbarred from winning new Government contracts if they could not meet the terms of the Prompt Payment Code, which mandates 30-day payment terms to small suppliers.

20 2022, Cabinet Office. Crown Representatives and strategic suppliers
21 2022 UK Government. Bill 218 2022-23 (as brought from the House of Lords)
22 2022, Netherlands Government. Payment term, collection charges, and statutory interest

“There have been multiple positive policy announcements and legislative instruments introduced by government in the last decade. If adhered to, these measures would significantly impact the late payment issue for small businesses, but there is no consistent enforcement to back them up.

To actually change behaviour and address the serious imbalance of power and incentive in supply chain payment practice, there needs to be accountability frameworks with consequences for chronic poor payment. Data needs to be as transparent as possible; government needs the power to investigate, and the worst actors need to be penalised to remove any benefit to holding on to small businesses’ cash and shifting the burden of chasing payments to poorly resourced suppliers.”

Tim Colman, FSB Policy Champion for Procurement

Recommendations

- **Give audit committees of large companies oversight of payment practices and report on this in the firm's annual report.** Board-level attention is necessary to deliver change in corporate payment practices, and assigning this responsibility to audit committees is the best way to ensure sufficient board-level focus is brought to bear on delivering improvements. Audit committees will have the company's Duty to Report data as well as their own internal data which can be used to assess company performance and plan action to resolve bad practice.

  Reporting on this, in the company's annual report, will allow shareholders to hold firms to account, and provide greater transparency for suppliers considering working for any given UK corporate. Audit committees will also be equipped to map the business's progress over time for reassurance, or indeed to notice worsening performance and scrutinise corporate leadership on its intent to change. This reform is essential to securing change in UK payment practices.
- **The Financial Reporting Council should include payment practices in annual reporting guidance to corporates.** The FRC has an important role to play in promoting corporate responsibility and transparency, particularly when it comes to prompt payment practices. We call on the FRC to include guidance on prompt payment practices in its reporting requirements for corporates. If legislation is not forthcoming, it is crucial that the FRC takes action to ensure that companies prioritise prompt payment and that they are held accountable for their payment practices.
- **Mandate and require the Small Business Commissioner to directly refer poor payers to the disbarment from public procurement list; to proactively investigate companies where the SBC has reason to suspect poor payment practices may exist; and to investigate poor practices at the request of certain trusted third parties, including Parliamentary Committees. The SBC should also restart and amplify the 'name and shame' process.** The Small Business Commissioner should be given the power to directly refer companies with poor payment practices to public procurement disbarment lists, in order to replicate the success of the Groceries Code Adjudicator in enforcing compliance with the Groceries Supply Code of Practice. Without the ability to impose significant reputational or operational change on businesses with the worst payment performance, the current non-binding powers of the Commissioner simply do not have sufficient

teeth to make progress on this dominant issue blighting UK supply chains.

The SBC should also be directly mandated and appropriately empowered to proactively investigate companies whenever there is reason to suspect poor payment practices. The Commissioner should be empowered to directly request and receive relevant information for a company where they suspect poor payment is taking place, and corporations should be compelled to comply. This decouples enforcement action from the confidence a small business has in making a complaint, lowering the risk that the worst supply chain bullying practices are allowed to continue because small suppliers are too afraid to risk identification in reporting poor corporate behaviour.

The Commissioner should be mandated to investigate on their own initiative. Reasons for suspicion should include the evidence of publicly available information, such as Duty to Report data; information provided anonymously by small businesses who do not wish to pursue a formal complaint or withdraw from the process; and reports from third parties, including business representative organisations or whistle-blowers from inside a business. The Commissioner should also be required to independently investigate poor practices at the request of certain trusted third parties. FSB recommends that this include, but not be limited to, relevant Parliamentary Committees and Departmental Secretaries of State, so that elected officials are properly empowered to effect change.

- **Expand requirements under Duty to Report to include additional data, including payment practices and performance in relation to large businesses' small suppliers; terms offered in supply chain finance arrangements; performance in relation to retention payments; the proportion or number of purchase orders provided after one week; and the proportion or number of invoices which are disputed.** Current regulations require businesses to report on the proportion of payments made within the reporting period paid in 30 days or sooner; between 31 and 60 days; in 61 days or longer; and the proportion of payments due within the reporting period which have not been paid. Additional requirements should be included so companies must report specifically on payments made, or not made, to small businesses, in addition to the current requirement to report on payments made to all suppliers regardless of size. Requiring businesses to report on timely purchase order provision would also significantly mitigate a common issue of delayed payments due to the 'clock' on payment not starting early enough.

Reporting requirements should also ask companies to include information on performance in relation to retention payments, where relevant, given the huge importance of this to small businesses in the construction sector; the standard terms offered in supply chain finance arrangements, given questionable practice in this area; and the number as well as the proportion of disputed invoices in order to provide further useful transparency for small suppliers considering taking the risk of providing goods or services to a company that frequently disputes invoices and therefore does not pay promptly.

- **Require corporates to report the median value of payments due but not paid.** There is a serious risk that asking corporations to report on payment by value will be used to obscure poor payment performance to multiple small suppliers by reference to very large contracts which may be paid on time. However, there may be merit in asking corporates to report on the median value of payments due but not paid, in order to provide greater transparency to potential suppliers about who a company typically pays late.
- **Require signatories to the Prompt Payment Code (PPC) to confirm their compliance with the Code annually; this should be supported by random audits.** While there is the first major audit in a decade currently underway, all PPC signatories should provide consistent and standardised evidence annually (or biennially at first), informing the SBC of their compliance with the Code in order to remain as a signatory. The Office of the Small Business Commissioner, which administers the code on behalf of the Department for Business and Trade, should also use random audits to ensure compliance, in addition to investigating in response to complaints.

  If a random audit leads to a situation where the PPC administrators cannot be satisfied that a signatory is achieving the required payment practice standard, then that signatory should be removed from the Code. This will prevent the ongoing risk that the PPC itself gives a misleading picture to suppliers or potential suppliers. Some organisations are benefiting from their PPC association, while not achieving the Code's conditions.

  This proposal may increase the administrative burden for large businesses, but it is essential to ensure that signatories are meeting their obligations under the PPC. Full consultation is required to understand the potential costs of compliance and to ensure that these do not disincentivise companies from joining the PPC.

- **Form stronger links between the Small Business Commissioner and the Public Procurement Review Service.** Creating a standardised data framework would quickly enable each body to identify chronic late payment practices. This is a powerful partnership when linked with FSB's ask for public procurement debarment as a result of significant poor payment practice.

  The Public Procurement Review Service (PPRS) is a success story for supporting small businesses and allows suppliers to anonymously raise concerns they may have about public sector contracts and prompt payment. It is free to use. Statutory powers introduced in March 2015 require contracting authorities to cooperate with the service. Linking these practices with increased powers and resources for the SBC should prove a powerful combination recovering owed money to small businesses.

- **The Small Business Commissioner should introduce app-based reporting and a proactive communication campaign to encourage freelancers and the self-employed to report and manage poor payment by their clients.** A Commissioner administered app could combine Duty to Report data, an ability to notify the SBC, and a streamlined step-by-step assistance guide to the small claims court, and could signpost to relevant third-party support, such as in legal debt recovery.

  It is important for the Small Business Commissioner to work with all organisations who are able to assist small businesses to get paid in agreed terms. FSB, for example, has extensive debt recovery services available for members that includes the provision of solicitors' letters when payment has stalled. The app could also include information from Good Business Pays, the campaign and initiative founded initially together with FSB and now backed by the UK's five major business groups – FSB, the British Chambers of Commerce, the Confederation of British Industry, the Institute of Directors, and Make UK.

- **Stronger links should be formed between the SBC and the Public Procurement Review service.** Creating a standardised data framework would quickly enable each body to identify chronic late payment practices. This is a powerful partnership when linked with FSB's ask for public procurement debarment as a result of significant poor payment practice. The Public Procurement Review Service (PPRS) is a success story for supporting small businesses and allows suppliers to anonymously raise concerns they may have about public sector contracts and prompt payment. It is free to use. Statutory powers

introduced in March 2015 require contracting authorities to cooperate with the service. Since the service was introduced. The service has a 100% success rate of releasing payments relating to undisputed invoices. Linking these practices with increased powers and resources for the Small Business Commissioner (SBC) could prove a powerful combination recovering owed money for small businesses.

APPENDIX A

Figure 4: Good Business Pays: Companies Who Are Late, 2023

Source: Good Business Pays: The Late and Slow Payment Watchlist 2023 report

Company	% Invoices due but not paid within agreed terms	% Invoices paid later than 60 days	Average time taken to pay invoices (days)	Average time taken to pay invoices (days)2	Industry
ABB Ltd	7%	69%	67	67	Engineering
Arriva Rail North Ltd	77%	44%	147	147	Transportation
Baker & Baker Products UK Ltd	92%	58%	61	61	Food & Beverage
Bakkavor Foods Ltd	61%	58%	75	75	Food & Beverage
Baxi Heating UK Ltd	96%	38%	59	59	Manufacturing
Birds Eye Ltd	68%	61%	68	68	Food & Beverage
Bucher Municipal Ltd	82%	54%	71	71	Transportation
Ceva Logistics Ltd	79%	63%	72	72	Automotive
CH & CO Catering	57%	58%	64	64	Food & Beverage
Civil & Marine Ltd (Hanson Ltd)	78%	72%	76	76	Materials
CMBC Supply Ltd (Carlsberg Marston's Brewing Company Ltd)	87%	49%	64	64	Food & Beverage
Colas Ltd	61%	32%	63	63	Construction
Communisis UK	58%	60%	76	76	Media & Entertainment
Crown Paints Ltd	64%	73%	87	87	Chemicals
David Wood Baking Ltd	86%	56%	64	64	Food & Beverage
Dnata Catering UK Ltd	70%	24%	71	71	Food & Beverage

Company	% Invoices due but not paid within agreed terms	% Invoices paid later than 60 days	Average time taken to pay invoices (days)	Average time taken to pay invoices (days)2	Industry
Dobbies Garden Centres Ltd	92%	69%	99	99	Retail
Draeger Medical UK	75%	65%	71	71	Healthcare
Exclusive Networks Ltd	86%	24%	62	62	Technology
Federal-Mogul Friction Products Ltd	82%	73%	82	82	Automotive
Framptons Ltd	71%	46%	62	62	Food & Beverage
Galderma UK Ltd	86%	68%	90	90	Retail
Gather & Gather Ltd	64%	71%	68	68	Food & Beverage
Grainger & Worrall Engineering Ltd	66%	78%	101	101	Engineering
Graphic Packaging International Ltd	81%	51%	84	84	Manufacturing
Harsco Metals Group Ltd	82%	44%	65	65	Materials
Jacobs Douwe Egberts GB Ltd	52%	58%	78	78	Food & Beverage
JDR Cable Systems Ltd	88%	25%	107	107	Oil & Energy
L&Q New Homes Ltd	61%	51%	71	71	Construction
Mole Valley Farmers Ltd	84%	36%	63	63	Retail
Northern Foods Grocery Group Ltd	86%	65%	62	62	Food & Beverage
Playnation Ltd	77%	65%	59	59	Media & Entertainment

Company	% Invoices due but not paid within agreed terms	% Invoices paid later than 60 days	Average time taken to pay invoices (days)	Average time taken to pay invoices (days)2	Industry
Plumbing Trade Supplies Group Ltd	99%	65%	89	89	Retail
Proserv UK Ltd	68%	35%	70	70	Oil & Energy
Public Restaurant Partner Ltd	69%	61%	64	64	Food & Beverage
Superdry plc	8%	28%	61	61	Retail
Tata Steel UK Ltd	69%	83%	98	98	Materials
The Net-a-Porter Group Ltd	58%	36%	73	73	Retail
TUI UK Transport Ltd	100%	56%	69	69	Transportation
Vacherin Ltd	80%	58%	64	64	Food & Beverage
Xtrac Ltd	52%	62%	62	62	Automotive
Zebra Technologies Europe Ltd	87%	51%	63	63	Technology
ZF Automotive UK Ltd	60%	61%	63	63	Automotive

METHODOLOGY

This report is based on FSB members' experiences and views on their experience of late payments during the majority of 2022. This report refers to FSB's quarterly Small Business Index survey data, collected between January and December 2022. The results in this report analyse a total combined response from 5,003 businesses. All surveys were carried out nationwide, and members were invited to participate in the survey via email and social media channels. The findings are all weighted according to FSB membership weighting (to reflect the demographic balance of FSB members throughout the UK). All percentages derived from the survey are rounded to the nearest whole number, which is why some percentages presented in the figures do not add to 100 per cent.

- FSB, SBI, Q1 2022, The survey was undertaken between 29 of March and 8 April 2022. Total base size 1,211 responses.
- FSB, SBI, Q2 2022. The survey was undertaken between 20 June and 1 July 2022. Total base size 1,317 responses.
- FSB, SBI, Q3 2022. The survey was conducted between 20 September and 4 October 2022. Total base size 1,383 responses.
- FSB, SBI, Q4 2022. The survey was conducted between 7 and 23 December 2022. Total base size 1,083 responses.

FSB also undertook a number of UK-wide semi-structured interviews by telephone and Microsoft Teams during December 2022 to February 2023. These interviews were used to construct the detailed case studies that are included throughout the report.

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