

[[OUR\_REF]]



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mike Amesbury MP  
The Old Police Station  
Mersey Road  
Runcorn  
WA7 1DF

26 March 2024

Dear Mike,

At Treasury Orals on 19 March 2024, you raised the issue of late payments. I told you that I would outline in writing to you the steps that the government is taking to tackle late payments to small businesses.

The government is acutely aware of the challenges that SMEs face on late payments and the impact on their cashflow. In 2022, SMEs were owed on average an estimated £22,000 in late payments. There have been improvements in recent years. Evidence suggests that overall payment times for some smaller businesses have reduced from 81 days in 2010 to 36 days in 2020-21. However, late payment and long payment terms remain persistent and there is more work to do. That is why in November 2023 we published the Prompt Payment and Cash Flow Review, which set out our key commitments to tackle the issue of late payments.

As part of this, we have recently extended the Reporting on Payment Practices and Performance Regulations until 2031 (previously due to sunset in April 2024). These regulations require large businesses to report their payment performance data. This data is then made available for anyone to access on gov.uk. We will be issuing updated guidance on these regulations including the introduction of new reporting metrics to strengthen transparency around payment practices (effective from 1st January 2025). We will be undertaking ongoing compliance and enforcement to ensure that large companies in scope comply with the regulatory requirement to report twice yearly.

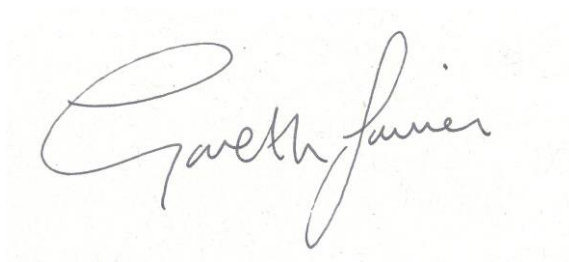
We are also working closely with the Small Business Commissioner on plans to refresh & relaunch the Prompt Payment Code (through which businesses voluntarily commit to fast and fair payment practices).

Furthermore, we intend to strengthen the powers of the Small Business Commissioner, enabling the Commissioner to undertake investigations and publish reports where necessary on the basis of anonymous information and intelligence of late payment practices.

The Government is also showing leadership in this area in terms of our own procurement practices. Over the last ten years, we have already seen improvements in prompt payments from government. The most recently published data suggests 7 of 16 departments are paying at least 90% of invoices within 5 days, compared to the 2020/21 average when just one department achieved this. The Procurement Act we have passed means that the 30-day payment terms which are already set for public sector contracts will be automatically implied throughout the sub-contract supply chain. At Autumn Statement 2023, the government also announced we will be going further and that suppliers risk being excluded from winning central government contracts over £5 million if they cannot demonstrate they pay their own invoices within an average of 55. This is coming into effect from April 2024. This will be tightening to 45 days from April 2025 and 30 days in the coming years.

Thank you for raising this important issue. A copy of this letter will be deposited in the libraries of the House.

Yours sincerely,

A handwritten signature in black ink, reading "Gareth Davies". The signature is written in a cursive style with a large initial 'G' and a long, sweeping tail.

**Gareth Davies MP**  
**EXCHEQUER SECRETARY TO THE TREASURY**