LATE AGAIN:

HOW THE CORONAVIRUS PANDEMIC IS IMPACTING PAYMENT TERMS FOR SMALL FIRMS

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A special thanks also to the Small Business Commissioner, Philip King, who has helped source a number of case studies to show the positive impact some larger businesses can have in helping their supply chain through the current crisis.

WHO WE ARE

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 45 years ago to help our members succeed in business, 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. As experts in business, we offer our members a wide range of vital business services, including legal advice, financial expertise, access to finance, support, and a powerful voice in government.

FSB is the UK's leading business campaigner, focused on delivering 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 English policy issues. 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.

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FOREWORD

On 19 June 2019, the Government announced reforms to tackle late payments, after considerable engagement with FSB. One year on, they have not been enacted as our Government and Parliament has been consumed by Brexit, a General Election, and now a pandemic crisis.

Before COVID-19, poor payment practice was already embedded as one of the most serious impediments to small business growth and survival. The COVID-19 crisis has now exacerbated this late payments crisis. Small businesses and the self-employed depend on cashflow for their very existence – 'cash is king'.

Today, unless we can successfully tackle the scourge of late payments and, more generally, poor payment practice, many small businesses will be forced to close their doors for good and will be unable to play their part in spearheading the UK's economic recovery. Poor payment practice to a small business will make the difference between it collapsing and being ready to take part in the recovery from this pandemic. Longer term, this poor practice harms the UK's large corporates whose future success depends on productive, robust and sustainable supply chains.

It is vital that the Government recognises that small firms will be at their most vulnerable during the early stages of recovery when cashflow will be at its tightest. Being paid on time could be make or break for many UK small businesses. It is crucial that big business, government and small businesses come together to tackle the issue of late payments.

That is why we are calling on the Government to mandate that any large businesses receiving significant financial help (in the form of a government-backed bailout or taking a shareholding in that company) should commit to a small business supplier charter, including making all payments within 30 days[1].

Some of the actors and tools already exist. The Small Business Commissioner, for example, should be given the power to fine businesses up to a maximum of £30,000 in cases where systematic and chronic late payment has been proven, and Duty to Report data spot checked by independent auditors and published as part of annual reports[2]. The Government should also commit to moving the target for prompt payment down from 60 days to 30 days. The Prompt Payment Code[3] should have its provisions toughened so that never again can a company like Carillion, when its finances began to deteriorate, use the fact it is a signatory to dismiss complaints that it was paying suppliers in excess of 120 days.

There are echoes of this behaviour during COVID-19, with corporates stopping all payment without notice, and budget holders manually approving payment against each PO, delaying payment just at the most important time to get money owed into small businesses.

Set against a backdrop of increasing levels of late and frozen payment, the current pandemic has seen examples where large businesses have gone the extra mile to support smaller businesses in their supply chains. It is important that we show the positives as well as the negatives in this research. Arguably, good supply chain practice leading to a robust and sustainable supply chain is one of the major competitive advantages that one large business can have over another.

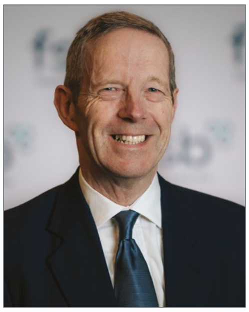
As the UK embarks on an infrastructure revolution, and given the power of public sector procurement to support economic recovery, it is vital that payment practice within public sector supply chains is improved. We recognise and welcome the good work that has already taken place – but there is a lot more to do if public sector procurement is to genuinely be used to support small businesses and the self-employed through an economic recovery.

1 This would ideally be 7 or 14 days to be considered prompt, with 30 days as the maximum 'standard' terms, with no additional charges / deductions for the privilege of being paid promptly.

2 This recommendation has also been forwarded by the Association for Accounting Technicians.

3 Other voluntary codes, such as the Good Business Charter, should also match the 30 day payment target.

If businesses large and small are to survive this crisis and thrive after it they need to work together and support each other. This starts with good payment practice. And we cannot wait one more year for the help needed to arrive.



Mike Cherry OBE,
National Chairman,
Federation of Small Businesses

LATE AGAIN: HOW THE CORONAVIRUS PANDEMIC IS IMPACTING PAYMENT TERMS FOR SMALL FIRMS

62%

of all small businesses have experienced either an **increase in late payments** and/or **had payments frozen completely** as a result of COVID-19

10%

of all small businesses have experienced a **lengthening of payment terms** from customers as a result of COVID-19

71%

of small **wholesale firms**

62%

of small **legal and accounting firms**

62%

of small **advertising and market research firms**

have experienced either an **increase in late payments** and/or had **payments frozen completely as a result of COVID-19**

EXECUTIVE SUMMARY

Late payment, whilst always an issue, has dramatically increased during the COVID -19 health crisis, with many small businesses experiencing an increase in poor payment practice. As customers have sought to hold on to cash assets during the COVID-19 pandemic, many have chosen to do so by not paying due invoices. Almost a third of all small businesses have had payments frozen, with no clear expectation of when these payments might be made, if at all, during the current crisis. This is particularly damaging for small businesses and for the supply chain relationship, as it also heavily undermines any future work which may be critical for all involved. Whilst some progress has been made to improve payment practice over the last few years, these had not solved the problem as we headed into the COVID-19 crisis. This report will specifically be looking at the impact COVID-19 has had on payments to small businesses and the self-employed. This means that the majority of the data analysed was gathered after the lockdown was announced (23 March 2020), and our survey questions asked in such a way as to capture its impact. The survey was in the field between 22 April and the 30 April, receiving 5,471 responses.

For the purposes of this report, B2B represents any business which has identified as selling directly to another business, B2PS represents any business which has identified as selling directly to the public sector (including central government and local authorities) or their supply chains, and B2C denominates a business selling directly to a consumer. For the vast majority of this publication, the statistics gathered only refer to the 4,228 business respondents for whom late payment is relevant i.e. those that operate using invoices and not payment over a counter. There is also some overlap between B2B and B2PS data, meaning that it is beneficial to look at the difference or lack of difference between the two data sets as opposed to the headline figure when considering late payment for the B2PS cohort.

Small businesses supplying B2B (Business to Business) or B2PS (Business to Public Sector) have both experienced around a 60 per cent increase in late payments and or frozen payments, suggesting that where the customer is another business or in a government supply chain, we are much more likely to find late payment practices occurring.

Our data also shows that almost one in four (23%) small businesses in government supply chains have had a payment frozen completely, and 29% of small businesses supplying B2B have had a payment frozen.

Given the Prompt Payment Code requirement for payment to be made within 60 days, and the timing of lockdown (which commenced on 23 March), this means that a small business which has carried out work in January could conceivably have received no payment for their works, and we know that furloughing staff, especially within finance, will have had an impact, too. This is particularly critical for the many small businesses whose cashflow is dependent on only one or two supply chains, often one or two larger businesses.

Our data has also shown that very few companies are changing, and or communicating any change in terms of payment or freezing of payments to small businesses in advance, with only one in ten small businesses supplying B2B or B2PS being informed of such changes. This means that many small businesses have seen due payments run over their set terms, whilst a minority have had the only slightly less unfavourable situation of having their terms lengthened. Although lengthening payment terms can be crushing for a small business (as this is often done under some duress) this can at least provide a likely or possible indication of when payment might be expected, mitigating additional effort expended by businesses chasing overdue invoices. However, as with Carillion, a sudden lengthening of payment terms is the sign of a business getting into serious trouble and should raise the spectre of that company not surviving or not paying at all.

The cumulative impact of all of this is increased uncertainty and an exacerbation of the acute cashflow crisis occurring among SMEs in the UK, as larger businesses seek to hold on to cash assets at the expense of firms in their supply chain, many of which will be smaller businesses.

"We do however feel that there is one area that the Government has missed that would greatly assist the cashflow of SME's at no long-term cost to the economy. That is speedy payment of suppliers by all organisations. This is an area that has been an issue for many SME's for years and now is the time that something needs to be done about it.

We all know this has been a problem for many years and the current crisis that we are all facing has highlighted the need for action and not just words.

This cashflow issue could have been helped if some of our customers paid us when they should instead of deliberately avoiding phone calls emails etc. We all know that ultimately everyone will have to pay for the government assistance in the form of higher taxes, reduction of services etc.

These large companies should be made accountable and if necessary named and shamed. Until the government really does something about this nothing will happen."

FSB member contacting COVID-19 support line

KEY FINDINGS

- 62% of all small businesses have experienced either an increase in late payments from customers (44%) and/or had their payments frozen completely (30%) as a result of COVID-19.

- 10% of all small businesses have experienced an increase in payment terms from customers as a result of COVID-19.

- Of those small businesses supplying B2B, 65% have experienced either an increase in late payments from customers (53%) and/or had their payments frozen completely (29%) as a result of COVID-19.

- Of those small businesses supplying to B2PS, 63% have experienced either an increase in late payments from customers (55%) and/or had their payments frozen completely (23%) as a result of COVID-19.

- Of those small businesses supplying B2B, 13% have experienced an increase in payment terms from customers as a result of COVID-19.

- Of those small businesses supplying to B2PS, 13% have experienced an increase in payment terms from customers as a result of COVID-19.

RECOMMENDATIONS

Short-term

The Small Business Commissioner (SBC) should be given the discretion to be able to investigate a business for late payment or poor payment practice based on insight from key stakeholders such as Select Committees and business lobby groups.

The Government, working with the Bank of England should urgently look to shore up supply chain finance. Any large company that benefits from shored-up supply chain finance must commit to using that finance to pay their SME suppliers, pay any outstanding invoices within 14 days, be a signatory of the PPC, and agree not to lengthen their payment terms for their SME providers.

Government should work swiftly with its suppliers and other areas of the public sector to ensure that no small business working in public sector supply chains will see payment frozen or payment terms extended during this health crisis. A centralised relief pot should be established to ensure immediate payment where small businesses in government supply chains have already experienced frozen payments.

The Government must publish its long-awaited consultations on the future of the voluntary Prompt Payment Code (now transferred into Government and under the Small Business Commissioner).

The Government must amend Financial Reporting Council (FRC) guidance and/or legislate at the earliest opportunity to force Audit Committees, led by a Non-Executive Director, to assess and report on payment practices in company annual reports, finally broadening accountability to whole company boards.

Any large businesses receiving significant financial help (in the form of a government bailout or taking a shareholding in that company) should commit to a small business supplier charter with a clear obligation to make all payments within 30 days.

Medium to longer-term

The SBC should be given the power to fine businesses up to a maximum of £30,000 in cases where compelling evidence shows systematic and chronic late payment.

Government should commit to move the target for prompt payment down from 60 days to 30 days. This effort should be spearheaded by Government strategic suppliers, who should lead the way towards 30-day payment terms.

Government should continue the work already carried out on the outsourcing programme[4] and provide adequate resource so that the lessons and advice gathered by the programme are more widely shared and adopted across all government departments.

Government, working alongside strategic suppliers[5], should aim to pay 95 per cent of invoices within 30 days – this would also be the new standard for the prompt payment code.

Any tier 1 businesses bidding for government work which cannot demonstrate that they are complying with the Prompt Payment Code may only be awarded a contract (if at all) if the payment structure follows a project bank account model.

4 Also known as project Santiago or the Outsourcing Playbooks.

5 Government strategic suppliers and crown representatives can be found here: https://www.gov.uk/government/publications/strategic-suppliers

LATE PAYMENT ACROSS THE SMALL BUSINESS LANDSCAPE

Many businesses will operate on a delayed payment or credit-based model, where an agreement is reached to pay for good or services within 30 or 60 days. In some areas, such as kitchen design for example, these lines of credit or delayed payment will also be offered to the general public, as opposed to other businesses. The potential for late payment therefore exists across B2B and B2C, as well as B2PS settings.

The COVID-19 crisis has resulted in many businesses and consumers, understandably, reassessing their plans for the year(s) ahead, to ensure survival.

For many small businesses, their immediate focus is on survival, and to this end cashflow is critical. If they are still able to operate while complying with government guidance on working safely[6] and social distancing, then it is vital that they are paid for work carried out. If they are unable to operate at the current time, is it equally vital that they are paid for works already completed and billed for earlier in the year.

Failure to pay invoices not only hinders the ability of small businesses to survive the current crisis, but it also hampers any recovery post crisis, presenting potentially enduring damage to supply chains.

FSB research shows that 44 per cent of small businesses have experienced an increase in late payment, with an additional almost one in three (30 per cent) small businesses seeing payments frozen completely due to the COVID-19 health crisis.

When we consider the effective start date of lockdown (23 March 2020), and that businesses complying with the prompt payment code pay invoices within 60 days of receiving them, it is conceivable that a number of small businesses may not have been paid at all for any works carried out in 2020 so far.

"Following taking part in the Coronavirus Webinar on Friday we followed the advice and we asked our largest customer to pay the outstanding invoices, totalling over £100,000 dating from early January 2020. On contacting them to request payment for the outstanding invoices they advised us that they have suspended all suppliers' payments until further notice however without their payment our business won't survive. Our MD has been in touch with various people in their accounts department, all the way up to the Head of Finance, but they are still saying that they will have made their decision for the survival of their business and that we have "been in denial for too long and are doing too little", and that we have to ask our own suppliers to make concessions.

This feels like a massive blow at a time when they should surely be trying to protect their supply chain."

Anonymous FSB member – manufacturing

Behind every statistic in this report is a real small business experiencing supply chain bullying. This can include scenarios where small businesses have been asked to accept a doubling of payment terms and a reduction of sums due. Some large businesses have written to their small business suppliers saying that those that accept extended payment terms will be rewarded with future work. This implies that those who don't will not be in the running for future business. In the aftermath of this crisis it will be imperative to ensure that this chronic increase in late payment does not become a permanent fixture of the UK business landscape.

6 https://www.gov.uk/guidance/working-safely-during-coronavirus-covid-19

Recommendations

The Small Business Commissioner (SBC) should be given the discretion to be able to investigate a business for late payment or poor payment practice based on insight from key stakeholders such as select committees and business lobby groups. By providing this latitude, the SBC will be freed from the restriction of being exclusively reliant on small businesses coming forward with examples of poor practice – something many are reluctant to do given their dependence on the customer they are complaining about.

The Government, working with the Bank of England should urgently look to shore-up supply chain finance. Any large companies that benefit from shored-up supply chain finance must commit to using that finance to pay their SME suppliers and pay any outstanding invoices within 14 days, be a signatory of the PPC and agree not to lengthen their payment terms for their SME providers B2B and B2PS.

The SBC should be given the power to fine businesses up to a maximum of £30,000 in cases where compelling evidence shows systematic and chronic late payment. This would not be a licence to fine businesses, but add teeth to the investigatory powers already held by the Small Business Commissioner, with the potential to fine only used where no remedial action has been agreed or carried out.

The Government must amend FRC guidance and/or legislate at the earliest opportunity to force Audit Committees, led by a Non-Executive Director, to assess and report on payment practices in company annual reports, finally broadening accountability to whole company boards.

Government should commit to moving the target for prompt payment down from 60 days to 30 days. This should include a series of interim measures and a combined effort to rationalise payment systems to allow for quicker and more secure invoice processing. This effort would also be led by government strategic suppliers, who should lead the way towards 30-day payment terms.

This change to 30 days should also be reflected in other voluntary codes / practices, such as the Good Business Charter. This would help to establish a new maximum payment term and change the culture of late payments in the UK.

B2B and B2PS supply chains can provide vital work and income for small businesses, as well as opportunities to learn from big businesses and government and consequently innovate in the delivery of their goods and services. FSB fully supports central government targets to spend one in every three pounds of its procurement budget with SMEs by 2022 because of the significant benefits this brings to small businesses. Equally important are the benefits small businesses can offer to government and larger businesses in government supply chains through their general agility and predisposition towards innovation.

A number of interventions have been made in the B2PS sector to re-shape how public procurement works, from the very top, to the very bottom. As well as introducing the Duty to Report and using the public sector's buying power to help improve payment practice, the introduction of a playbook on public procurement has also helped to address some of the structural issues that are often found when applying for, and working on, central government contracts.

Although there remains work to do to address how central government approaches the finer details of public procurement, FSB welcomes the work undertaken so far in this area and the collaborative way in which this has been done. We have also seen that pre-COVID-19, most government strategic suppliers have improved their payment performance since the introduction of the Duty to Report – with most of those lagging behind the target of 95 per cent of payments within the 60-day mark, at least showing some signs of improvement.

During COVID-19 we have also seen the introduction of two key Procurement Policy Notes (PPN) setting out a number of measures to ease pressure on supply chains during this time. This includes giving accounting officers consent to make payment in advance (up to a cap) normally held by HM

Treasury, and accelerating the payments process so that many are paid within days, not weeks[7]. In some cases, this has been instantaneous via the use of procurement cards, which have seen the limits increased and instant payment allowed for goods and services.

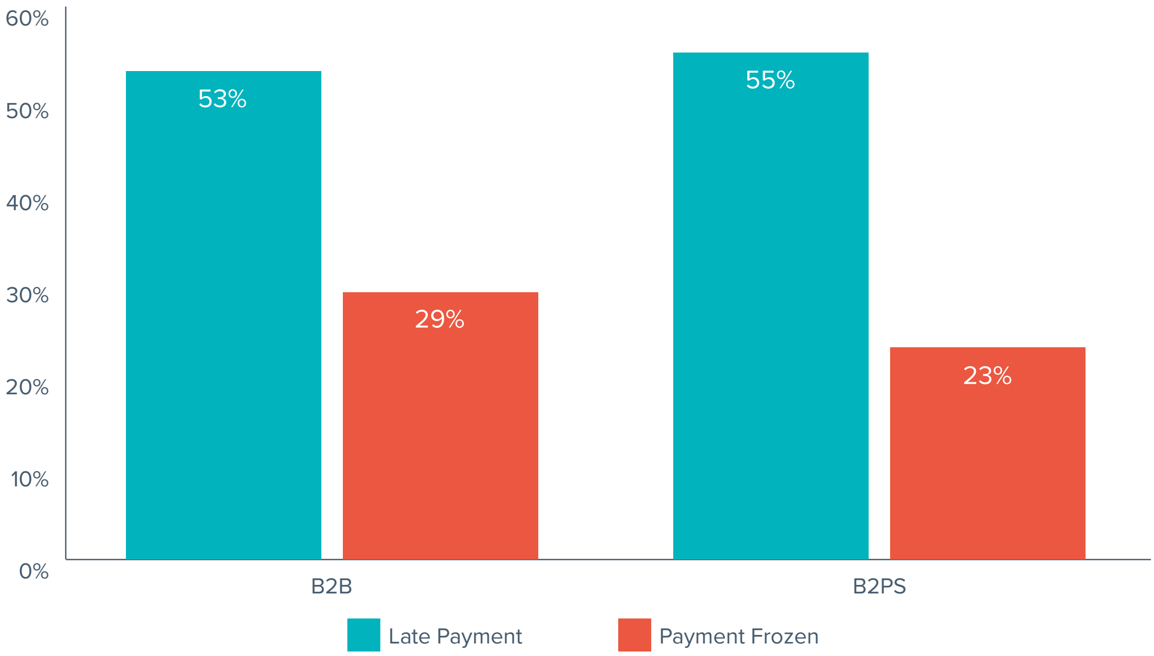
These measures, where implemented correctly, will undoubtably provide some relief and comfort to those contracting directly with public bodies. However, those in public body supply chains, but not directly contracting with the public body, will be hoping that these measures and benefits are passed down the supply chain.

Despite improvements in the way public procurement is carried out by central government, the progress made on payment practice over the last few years, and the additional measures put in place to speed up payment systems (PPN), the current health crisis has placed this good work in jeopardy. Those small businesses working in public sector supply chains and/or B2B, saw very similar levels of late payment occurring due to COVID-19 (55% and 53% respectively). However, those small businesses in public sector supply chains fared slightly better when it came to experiencing frozen payments.

There are some noteworthy findings when we compare B2PS and B2B payment practice with general late payment across all small businesses. Those small businesses in B2PS supply chains are more likely to experience increased levels of late payment when compared to all small businesses. The same applies for the B2B group, where the likelihood of late payments is only marginally below that of the B2PS group, and again higher when compared to the comparable statistic for all small businesses. This shows that, broadly speaking, there is little difference in small businesses' experience of late payment between the B2B sector and the B2PS. This finding is surprising as there would be a natural expectation that payment practices within the B2PS sector would be better than those found within the B2B sector.

Interestingly the proportion of small businesses experiencing a freeze in payments is relatively consistent across all three groups. This may be reflective of how the crisis has impacted across a number of sectors, and extenuated existing issues in others. It is worth noting however, that B2PS based businesses have seen lower levels of payments being frozen than those businesses in both B2B and B2C. This is perhaps reflective of some of the measures put in place by government to ensure supply chains keep moving, such as PPN 02/20.

Figure 1: Changes in payment practice across different groups due to COVID-19



7 PPN 02/20 - https://www.gov.uk/government/publications/procurement-policy-note-0220-supplier-relief-due-to-covid-19

It is concerning that public sector supply chains seem to fair no better than B2B supply chains in relation to late payments, however when it comes to instances of payment frozen, public sector supply chains are better than average. The data above suggests that while those contracting directly with public bodies may have benefitted from the measures put in place to mitigate cashflow issues in the supply chain, it appears that this benefit is not being felt by those further down supply chains.

It is critical to ensure that vital gains made in this area pre-pandemic are not lost - the fact remains that late payment in supply chains and its impact on cashflow makes it harder for smaller businesses to survive. It also does lasting damage to capability, as small businesses may not wish to be involved in these types of contracts again. The public sector, with central government leading the way, must redouble its efforts to ensure that no small business in its supply chain is asked to suffer late payment as a result of larger businesses withholding payment. This will help ensure that the increase in late payment we have seen during COVID-19 is short lived

One area of major contrast, and perhaps concern, is evident when we compare the proportion of B2B and B2PS small business suppliers experiencing late payment, and those that have seen a lengthening of their payment terms. Where 65 per cent of B2B and 63 per cent of B2PS businesses have experienced either an increase in late payment or payment frozen, only 13 per cent of B2B and/or B2PS businesses actually saw a lengthening of their payment terms. This means that the majority of late payment is occurring with no formal change in terms.

The resulting impact is that many small businesses are left to find out that payment will be late or frozen only when they chase (possibly already late) invoices. This dramatically reduces a business's ability to plan and anticipate cashflow, if they are only informed that payment is late or frozen once it already becomes due.

Recommendations

Government should continue the work already carried out on the outsourcing programme[8] and provide adequate resource so that the lessons and advice gathered by the programme is more widely shared and adopted across all government departments.

Government, working alongside strategic suppliers[9], should aim to pay 95 per cent of invoices within 30 days – this should also be the new standard for the Prompt Payment Code.

Government should work with suppliers to ensure that no small business working in a government supply chain will see payment frozen or payment terms extended indefinitely during this health crisis.

A centralised relief pot should be established to ensure immediate payment where small businesses in government supply chains have already experienced frozen payments. This could take the shape and form of a project bank account.

Any tier 1 businesses bidding for government work which cannot demonstrate that they are complying with the Prompt Payment Code may only be awarded a contract (if at all) if the payment structure follows a project bank account model.

Any large businesses receiving significant financial help (in the form of a government bailout or taking a shareholding in that company) should commit to a small business supplier charter, setting out a commitment to:

- Make all payments within 30 days
- Maintain supply chains to UK companies
- Bring back work to the UK wherever possible

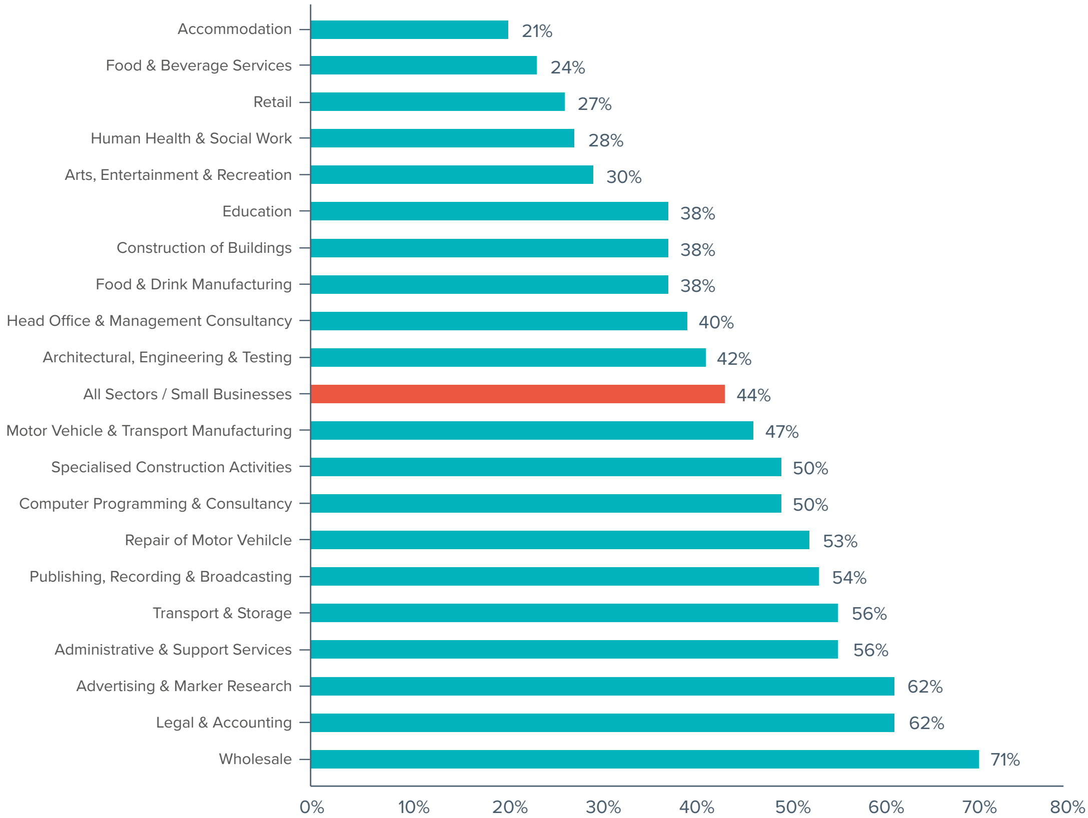
8 Known as Project Santiago.

9 Government strategic suppliers are the key businesses which government works with, a full list can be found here: https://www.gov.uk/government/publications/strategic-suppliers

SECTOR BREAKDOWN OF THE EXPERIENCE OF LATE PAYMENTS

Although we expect to see differences in the levels of late payment in some sectors, largely due to systematic factors, a sector breakdown allows us to see which sectors have been hit hardest hit by these increases in levels of late payment.

Figure 2: The increase in late payment (excluding frozen payments) across sub-sectors as a result of COVID-19



Those sectors which have seen the largest increases in late payment are those which traditionally operate on credit-based terms. For example, Wholesale has seen the largest increase in late payment, whereas accommodation and retail-based businesses have seen much lower levels of late payment. Sectors such as retail, accommodation, and food and beverage services have seen lower levels of late payment, as the majority of transactions are made in real time between the business and the consumer, however each will still have a number of interactions in a B2B supply chain before reaching the customer. This is likely to account for some of the increase in late payment shown above. It is also worth noting that while these sectors may have seen relatively small increases in late payment, they are also the sectors most likely to have either ceased trading due to government restrictions, or seen cancelations.

Professional services, such as legal and accounting, have also seen a noticeable increase in late payment due to COVID-19, again reflecting the nature of their services and billing systems.

Figure 2 shows that late payment has increased in all sectors as a result of COVID-19, however it is most severely felt in industries which predominantly work in B2B/ B2PS supply chains, as opposed to those businesses which are day-to-day consumer facing – providing those businesses haven't already closed.

LEADING THE WAY

Although the statistics show increasing levels of late payment across the board, there are examples of where large and small companies alike are introducing measures to help secure and improve their supply chain by speeding up their payments, or enabling payments to be made quicker through the use of software and home working. There are also examples of where use of official channels, such as the Public Procurement Review Service (PPRS) or the powers currently held by the SBC, have helped address instances of late payment.

Office of the Small Business Commissioner (OSBC)

The Office of the Small Business Commissioner provide a free service and covers the whole of the UK - England, Wales, Scotland and Northern Ireland. Small businesses can use the service on a risk free and anonymous basis to raise complaints about poor payment practice which will be investigated, and recommendations will be made about how to resolve the issue.

The casework team provide general advice and information to small businesses on matters such as:

- resolving disputes and dealing with an unpaid invoice
- checking contracts and getting invoices right
- signposting small businesses to existing support and dispute resolution services

The Office of the Small Business Commissioner team has recouped £7.2 million since its inception in December 2017, with £500,000 being released during the COVID-19 pandemic.

The Small Business Commissioner urges small businesses affected by late payments to contact his team and promises to act to tackle the worst examples of supply chain bullying. FSB welcomed the appointment of Philip King as the interim Small Business Commissioner, as well as the force and impetus he has brought to the role.

> “My office works hard and is hugely successful in generating payments for small businesses and supporting them with advice, and I spend a significant amount of my time talking to large businesses about their payment practice, whether it is at the best or worst end of the spectrum. It is important that I shine a light on large corporates who are excelling in this space or who have made significant improvements. Equally, it is crucial that I highlight poor practice and have the opportunity to call it out.
>
> “What is key to my approach is that, when I am alerted to alleged unfair practice, I always start from a non-judgemental position before reaching conclusions. Conversations are vital, lead to informed decisions and can often result in changes to practice from which all parties benefit. If we are going to emerge from the COVID-19 crisis with supply chains intact, we need businesses of all sizes to work as partners in a spirit of collaboration rather than confrontation.”
>
> Philip King – Small Business Commissioner

Taylor Wimpey

Having learned the lessons from the 2008 financial crash, house builder Taylor Wimpey put forward a series of measures to help subcontractors through the current crisis and to make sure they sustain a robust, highly skilled, supply chain for the years ahead. This is particularly important given the skills shortages afflicting the housebuilding and construction sectors.

The ‘Taylor Wimpey Pay It Forward Scheme’ makes advance payments for future work done by subcontractors where they have a long-term relationship with the subcontractors. The payments will be made from Taylor Wimpey via the subcontractor, to self-employed individuals who either do not benefit from the Government’s Self-Employment Income Support Scheme or who will experience significant hardship given that the first grant was payable only at the end of May 2020.

Not only does this help small businesses and the self-employed generate an income (to be claimed against future works) but it also affords peace of mind to affected individuals by providing reassurance that there is still an income coming in.

In March 2020 Taylor Wimpey also extended its mental health support systems throughout its supply chain, recognising that many of their sub-contractors, which themselves are small businesses, are unlikely to have been in a position to invest in mental health resources for their self-employed workers. There was also a clear recognition that many self-employed individuals and small businesses are likely to have experienced mental health challenges because of the crisis.

The measures put in place help SMEs to feel that they are partners as opposed to contactors, and provides important reassurance that Taylor Wimpey is a safe port of call in difficult times.

Vodafone

The turnaround in Vodafone's payment performance and treatment of suppliers is perhaps one of the best examples of the SBC working closely with big businesses to find solutions. Having been suspended from the Prompt Payment Code in 2019, Vodafone alongside the SBC started to put in place a plan that would reshape the relationship with their supply chain, and work to get the company back on the PPC[10].

This involved working out which of their suppliers were SMEs, and using digital tools to make sure their smallest suppliers were paid on 30-day terms. This allowed Vodafone to put their smallest suppliers at the top of the list when considering payment terms.

Recognising the impact of Covid-19 on the supply chain, Vodafone has moved all small suppliers to 15-day payment terms for 6 months, and is offering SME customers six months free high-speed broadband to help mitigate the impact of the current pandemic. The plan put in place between Vodafone and the SBC sets the company on track to continue with their support for small businesses in the supply chain, by ensuring prompt payment, and healthy supply chain relationships.

The Public Procurement Review Service (PPRS)

The PPRS allows suppliers to anonymously raise concerns they may have about public sector contracts and prompt payment. It is free to use. Businesses which have concerns or issues about the conduct of a procurement process they've been a part of or work in, or those which have experienced late payment in public sector supply chains, can report this to the PPRS which can then, anonymously, begin to investigate and resolve the issue at hand. Statutory powers introduced in March 2015 require contracting authorities to cooperate with the service. Since the service was introduced over 1,788 cases have been received and have helped suppliers reclaim over £7.85 million from over 351 late payment cases reported to the service. The service has a 100% success rate of releasing payments relating to undisputed invoices.

Capita

Capita, a major government outsourcer, is also offering small businesses free[11] secure phone and ecommerce payment systems in the form of its Pay360 service. This will allow small businesses to make and accept payments securely, away from the office, quickly, and with relative ease.

Capita has also been working closely with the FSB over the last 18 months, in a positive effort to try and resolve issues surrounding payment performance, and how large businesses can better engage with SMEs in supply chains. This has included the introduction of improved payment terms for sole traders, micro businesses and SMEs.

Capita now regularly publishes Duty to Report data in excess of the 95 per cent target, and has been working alongside government to shape better procurement practice in the public sector.

10 The most recent Duty to Report data included intercompany payments. When these transactions are excluded, 94% of invoices are paid within 60 days, with an average time to pay of 44 days.

11 For 6 months, with only standard transaction costs applicable.

Morrisons

In mid-March, supermarket retailer Morrisons announced that they would be paying small suppliers immediately to help their suppliers get through any difficulties presented by COVID-19, and to ensure that the supply chain remained healthy ahead of what has become a difficult period for businesses. This commitment has now been extended until September 2020, to help small businesses in their supply chain through the early days of recovery, when small businesses will arguably be at their most vulnerable.

HS2 and Network Rail

HS2 and Network Rail have also taken measures to increase payment to ensure that their supply chains remain robust during this period, by both paying firms almost immediately to help with cashflow and in some cases releasing money earlier where contracts allow. This has made a real difference to small firms working in these sectors not only in terms of survival but also creating a sense of partnership and goodwill. The Department for Transport and the construction sector also have a history of operating using project bank accounts, which means that no suppliers in the chain directly holds the funds for sub-contractors, instead drawing down from a centralised pot. This greatly reduces incentives to ‘hold on’ to cash.

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