



Foreign, Commonwealth
& Development Office



THE IMPORTANCE OF PROMPT PAYMENT TO YOUR SUPPLY CHAINS

January 2021

Dear Supplier,

I would like to bring your attention to the various measures the government is taking to promote prompt payment across the UK, and changes that may affect your company.

At this time of national crisis, every business is facing extraordinary pressure on cash flow and I would like to thank those suppliers who have already taken action to support their supply chains by accelerating payment to their smaller businesses. Maintaining cash flow will help protect jobs, protect suppliers, and ensure the recovery can proceed as smoothly and swiftly as possible. As a key supplier to the FDCO please ensure you are supporting your supply chains by paying them as quickly as possible.

As a reminder, the Public Contracts Regulations (2015) already require 30 day payment terms to be passed down the supply chain on those contracts that relate to public sector work. From reviewing businesses published data, I know many suppliers have made huge improvements in their payment performance over the past year, so please keep up the good work.

I also wish to highlight two key initiatives to support prompt payment more broadly and ask that you take any necessary action.

1. **New Prompt Payment Code Reforms - January**

You may have seen recent press coverage of the Prompt Payment Code reforms which sets out the additional standard for signatories to pay small businesses in 30 days from 1 July 2021. The Small Business Commissioner has written out to all signatories to the code setting out these changes. If you are yet to sign up to the Prompt Payment Code, I encourage you to get in touch with the Office of the Small Business Commissioner to take this forward (contact details in the Annex)

2. **Government Contracting - Prompt Payment Measure - Threshold Increase from 1 April** Any supplier bidding for Government work in excess of £5m per annum from 1 April 2021 will need to demonstrate that they pay at least 85% of their invoices to suppliers within 60 days in one of their previous two published payment reports, or be excluded from the procurement. This is an increase from the existing 'pass' mark of 75% in 60 days. This applies to all company's invoices irrespective of whether they relate to government work.

Please review your performance to make sure you are up to standard and take immediate action if required.

Government remains committed to paying suppliers promptly ourselves. We aim to pay 90% of valid and undisputed invoices from SMEs in 5 days and the remaining in 30 days. Please take this up with us if you are experiencing any delays.

If you have any questions or concerns regarding this letter, please contact <mailto:supplierengagement@fcdo.gov.uk>

Yours Sincerely,



Tracey Williamson
Chief Commercial Officer

Annex - Links to Documentation

Prompt Payment Code - BEIS Press Release

<https://www.gov.uk/government/news/government-tackles-late-payments-to-small-firms-to-protect-jobs>

The Prompt Payment Code (PPC) is a voluntary code of practice for businesses, administered by the Office of the Small Business Commissioner (SBC) on behalf of BEIS. It was established in December 2008 and sets standards for payment practices between organisations of any size and their suppliers.

Small Business Commissioner -

<https://www.smallbusinesscommissioner.gov.uk/ppc/>

Contact details: ppc@smallbusinesscommissioner.gov.uk

Prompt Payment Measure -

<https://www.gov.uk/government/publications/procurement-policy-note-0720-taking-account-of-a-bidders-approach-to-payment-in-the-procurement-of-major-government-contracts>

Public Contract Regulations (2015) (113) -

<https://www.legislation.gov.uk/uksi/2015/102/regulation/113/made>

Payment Transparency and Duty to Report - <https://check-payment-practices.service.gov.uk/search>