

FDF Response to Department for Business, Energy & Industrial Strategy (BEIS) Payment and Cashflow Review on the Reporting on Payment Practice and Performance

1. This submission is made by the Food and Drink Federation (FDF), which is the voice of the UK food and drink manufacturing industry, the largest manufacturing sector in the country, with a footprint in every parliamentary constituency. Our industry has a turnover of more than £113 billion, accounting for 20% of total UK manufacturing, and Gross Value Added (GVA) of more than £33 billion. Food and drink manufacturers directly employ over 450,000 people across every region of the UK.
2. We continue to support the government's efforts to encourage prompt payment of invoices. The report requirement has helped improve the treatment of suppliers and reduce the frequency and value of late payment to suppliers. The late payment of invoices remains an area of concern for SME manufacturers that make up 97% of our sector. We believe that introducing greater transparency makes a real difference to small businesses that have faced late payments as it has helped raise awareness of payment terms and it discourages the use of unfair practices.
3. Following the publication of the Payment and Cashflow Review by the Department for Business, Energy & Industrial Strategy (BEIS) in January 2023, we consulted with our members to gather views on the government's proposals and have set out below a summary of views and specific concerns that have arisen.

Amendment of the Regulations to extend their effect beyond 6 April 2024

4. We support government's plans to continue encouraging prompt payment of invoices through greater transparency and we would support extending the regulation beyond 6 April 2024. Late payments and payment policies remain areas of concern for SME manufacturers in our industry and ensuring continued transparency can help small businesses that have faced late payments by raising awareness of payment terms and practices, while discouraging unfair treatment of suppliers.
5. Considering other new measures set out in the proposals which we discuss below, we do have concerns about the net impact of new burdens potentially being placed on UK businesses. We strongly urge the government to ensure that these proposals ensure they balance the need for transparency and improved payment practices while recognising that most businesses are already good performers. The government should ensure that reporting requirements do not overload businesses with bureaucracy and new red tape that will act as a brake on growth.
6. A vital step that we think the government should take is to reduce the frequency of the reporting requirement to annual from bi-annual. The additional cost and burdens placed on businesses of reporting twice each year far outweighs any benefit of more frequent reporting.

Additional value reporting metric

7. While we see the intent behind the proposals, our members urge caution about the adoption of value reporting. We agree with the government's initial view that reporting the value is less useful than current reporting of the proportion of late payments. If the aim of this proposal is to offer more protection for SMEs, we do not see reporting on value as helping to support that outcome. In presenting the value of payments, this would inevitably be skewed by payments made to the largest suppliers, and this wouldn't mean any metric isn't relevant or useful to SME suppliers. Additionally, some

are concerned that reporting on the value of payments would lack essential context or nuance and would inevitably become a focal point for criticism that would place significant burdens on manufacturers to provide regular clarification.

8. Our large and listed member companies report that they haven't experienced much, if any, challenge from existing, new or potential suppliers as a result of the existing reporting requirement, so there is no indication that we should expect a significant benefit to be seen from reporting an aggregated figure. In turn they do see the potential for misunderstanding and criticism arising from reporting the value of payments, especially without supporting context for the data.

Restoring trust in audit and corporate governance: referencing payment reporting in company's directors' report

9. If payment reporting is included in the directors' report that is a replication of data submitted to the government website, our members would be broadly supportive, however we question whether this duplication in practice delivers meaningful benefits in terms of 'better' outcomes, given the data is already publicly available.
10. There is concern about the growing resource required to support additional reporting requirements. We would strongly urge the government to take steps to review the cumulative burdens being placed on business because of these and other reporting requirements that the government has or is set to introduce. Reporting on payment practices and performance should change from bi-annual to annual. In the goal of ensuring simplicity, annual reports could simply include a reference or link to the information that is already published on their corporate website or on the existing government reporting webpages.

Supply chain finance

11. This proposal will be difficult for some companies to deliver as they do not have the specified data on when a payment is made by a third party (i.e. supply chain finance provider) to a supplier. If this is to be delivered, it would require manual investigation that risks generating significant additional cost to reporting companies. We would urge government to reconsider this proposal and work with reporting businesses to identify alternative and less disruptive and costly solutions.

Disputed invoices

12. There are often legitimate reasons why payments might be delayed in the event of a dispute with a supplier over, for example, the quality of materials supplied. So, we would ask for government to work with industry to agree a clear definition for 'disputed' which can be applied consistently across all businesses.
13. Collection of this data is also a significant challenge for many of our members, who frequently have no visibility of invoices which are blocked or disputed and will struggle to capture enough detail to accurately report. Often these invoices that are held up are due to an error or are pending amendment and businesses are unable to track when or why they have been blocked.
14. There is concern across our membership that these proposals would be challenging to implement and could lead to misleading data within the reporting. If government decides to move forward with reporting on disputed invoices, we encourage agreement of a clear definition of what 'disputed' means. We also recommend that government considers including a separate section to allow businesses to include itemised reporting of disputed invoices rather than including within the overall data submission, which could otherwise deliver misleading data.

The UK Food and Drink Manufacturing Industry

The Food and Drink Federation (FDF) is the voice of the UK food and drink manufacturing industry, the largest manufacturing sector in the country. Our industry has a turnover of more than £113 billion, accounting for 20 per cent of total UK manufacturing, and Gross Value Added (GVA) of more than £33 billion. Food and drink manufacturers directly employ over 450,000 people across every region and nation of the UK. Exports of food and drink make an increasingly important contribution to the economy, approaching £25 billion in 2022, and going to over 220 countries worldwide. The UK's 12,460 food and drink manufacturers sit at the heart of a food and drink supply chain which is worth £116 billion to the economy and employs 4.3 million people.

The following Associations actively work with the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
BCA	British Coffee Association
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers' Association
EMMA	European Malt Product Manufacturers' Association
FCPPA	Frozen and Chilled Potato Processors Association
FOB	Federation of Bakers
GFIA	Gluten Free Industry Association
PPA	Potato Processors Association
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SSA	Seasoning and Spice Association
UKAPY	UK Association of Producers of Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

The FDF also delivers specialist sector groups for members:

Ice Cream Group
Organic Group
Seafood Industry Alliance
CBD Group