

FDF Response to the Department for Business Consultation on Payment Practices and Policies

1. This submission is made by the [Food and Drink Federation](http://www.fdf.org.uk) (FDF), the trade association for food and drink manufacturing. Food and drink is the UK's largest manufacturing sector (accounting for 15.7% of the total manufacturing sector) turning over £81.8bn per annum; creating GVA of £21.5bn and employing more than 400,000 people.
2. FDF supports the aim of the Department for Business of encouraging prompt payment by introducing greater transparency on payment practices. Late payments and payment policies remain areas of concern for SME manufacturers in our sector. While some companies support the introduction of maximum payment terms, on balance food and drink manufacturers favour freedom of contract with greater transparency on individual company practices.

Delivering transparency and minimising reporting burdens

3. The consultation document notes the aim of addressing current levels of late payments, which as of July 2014 stood at £39.4bn. It is important to recognise that the majority of UK businesses pay their suppliers in accordance with agreed payment terms. Going forward, it is vital that reporting requirements are simple, standardised and the least burdensome for reporting businesses while also the most effective for suppliers.
4. While the overarching aims set out in the proposals are clear and easy to understand, room for improvement exists regarding how this should be put into practice. The draft regulation fails to deliver the intended balance between introducing transparency and minimising reporting burdens. Changes are needed to ensure the requirements are more proportionate, balancing benefits for suppliers with the additional bureaucracy, cost and complexity introduced to reporting companies. With the amendments outlined below, we believe the regulation would be better placed to deliver both of these aims.

Ensuring accurate analysis of reporting costs

5. The initial impact assessment estimates the cost to business would be £3.2m, an average of £177 per business. We strongly encourage the Department for Business to reassess the cost of these proposals following this consultation and before a regulation is introduced. Large FDF members have voiced concern that this figure does not reflect the true cost faced by reporting companies. Larger companies with multiple business lines could face initial set up costs stretching to tens of thousands of pounds, with new systems and software required to capture the required data.

Reporting annually in line with Government practice

6. Publication of quarterly reports would be excessive. Annual reporting, in line with Government's own payment reporting mechanisms, would be a more

balanced and proportional approach, offering useful information to inform suppliers while significantly reducing burdens and costs faced by reporting companies. Annual reporting should be aligned to a company's financial reporting cycle. Reporting on an annual basis could also allow for the report to be audited and included as part of a company's annual report.

Standardising reporting procedures to ensure fair comparison

7. The reporting requirement should apply to large and listed companies as defined by the Companies Act and should only cover payments relating to business to business contracts.
8. In order to ensure consistency and fair comparison between company reporting, an option should be included for SME companies to report on a voluntary basis, following the same standardised reporting guidelines that apply to large and listed companies.
9. Reporting on an individual or consolidated basis should be optional for reporting companies. It is likely that companies would tend to publish individual and non-consolidated reports to provide the most relevant information to their suppliers. However, in some circumstances consolidated reporting may represent a more suitable option, delivering sufficient transparency to suppliers while reducing reporting costs.
10. Individual company reports should be signed off by a company director and published on the company website that is most relevant to suppliers, whether that be a corporate or a supplier-specific website. Where companies do not have a website, reports should be published on The Gazette.

Ensuring effective and relevant reporting for suppliers

11. Details of standard payment terms should be included in reporting and this information should be kept up to date and relevant to suppliers by appending details of changes introduced on an ongoing basis. To provide the most useful indicator of company payment practices, reports should also include details of the average time taken to pay invoices. This would enable direct comparison against a company's standard terms.
12. Optional fields should be included alongside each metric, allowing for the reporting of additional useful information on the reported data. For example, it might be used to explain anomalies where payments to non-EU countries with different regulatory requirements skews reported data.
13. It would not be appropriate for Government to prescribe when the 'clock starts' on the payment period. Reporting companies should provide information on their processes alongside their standard terms.
14. Companies should provide information outlining their dispute resolution process. It should also be optional for companies to report on the percentage of invoices that have been disputed.
15. Companies should disclose whether they are signatories of a payment Code and details of which codes they belong to. For example, food and drink sector companies should note if they are a member of [The Supply Chain Initiative](#)

which aims to increase fairness in commercial relations along the food supply chain.

16. Company reports should include tick box disclosures to raise awareness where both e-invoicing and supply chain finance are offered.

Simplifying and reducing the cost of reporting requirements

17. Details of maximum payment terms should not be included in company reports as this could offer an unrepresentative reflection of company payment practices that would be misleading for suppliers. As noted above, the more useful point of comparison for suppliers comes from looking at where average payment times sit in relation to standard payment terms.
18. FDF supports the aim of reducing the practice of late payment, however we do not agree that a metric of invoices paid beyond terms should be included in this report. Reporting this metric risks incentivising the extension of payment terms in order to reduce the percentage of late payments. Furthermore, this may require significant changes in the way invoice data is kept within many businesses. Implementing this change would introduce significant costs as this data is often not captured and would require investment in new software.
19. At this stage, we do not see the value in reporting detailed information on individual timeframes for paying metrics. Reporting on the average time to pay invoices and standard terms provides more useful and relevant information on company payment practices. Producing detailed information on payments within specific timeframes introduces additional complexity and is not proportional to the benefits achieved. As noted above, it would also add significant costs and for many businesses require investment in new software.
20. It would not be appropriate or possible for the Government to provide a definition of a disputed invoice that covers all possible scenarios and is relevant to all industries. Government should however produce guidance on complying with this reporting requirement. Stakeholder organisations may then wish to tailor this guidance for sectors as appropriate.

The UK Food and Drink Manufacturing Industry

The Food and Drink Federation (FDF) represents the food and drink manufacturing industry, the largest manufacturing sector in the UK, employing 400,000 people. The industry has an annual turnover of over £81.8bn accounting for 15.7% of the total manufacturing sector. Exports amount to over £12.8bn of which 75% goes to EU members. The industry buys two-thirds of all UK's agricultural produce.

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

ABIM	Association of Bakery Ingredient Manufacturers
ACFM	Association of Cereal Food 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
PPA	Potato Processors Association
SMA	Salt Association
SN	Sugar Nutrition UK
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SPA	Soya Protein Association
SSA	Seasoning and Spice Association
UKAMBY	UK Association of Manufacturers of Bakers' Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

FDF also runs specialist sector groups for members:

Biscuit, Cake, Chocolate and Confectionery Group
Frozen Food Group
Ice Cream Committee
Meat Group
Organic Group
Seafood Group