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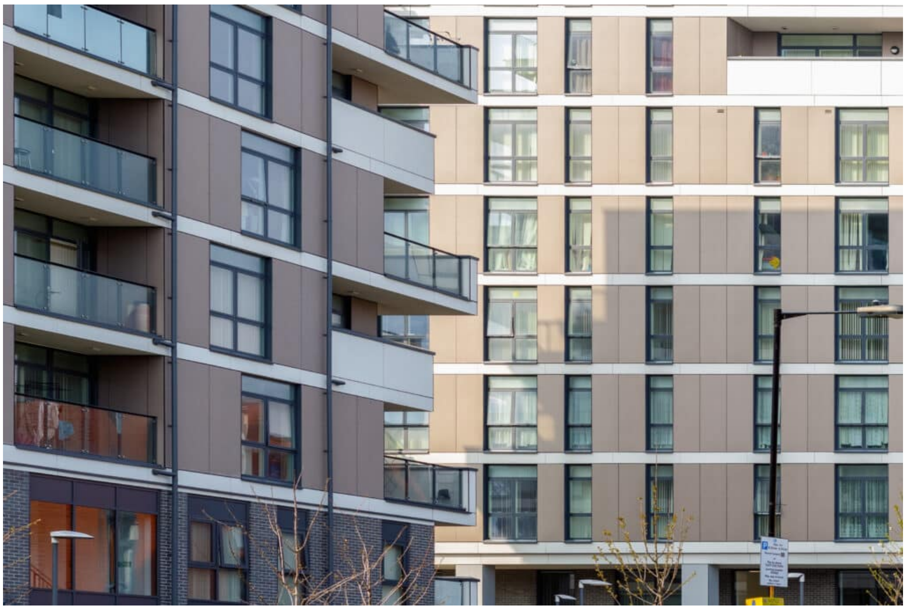
BESA welcomes improved payment times

3 years ago



The Building Engineering Services Association (BESA) has welcomed an apparently dramatic improvement in the payment habits of main contractors.

About half of large construction firms now claim to be paying their sub-contractors within 30 days or fewer, according to new data gathered by their trade body BuildUK.

While some firms are paying in under 25 days, BuildUK said there was still a small number of poor performers, but that the general improvement in average payment of invoices among the country's top 34 large contractors had allayed fears that the pandemic would prompt a return to bad habits.

The survey showed that the average payment period had improved by four days in the last six months to 30.4 days, which means sub-contractors are being paid on average 15 days faster than when Build UK first started gathering payment data in July 2018.

Build UK's deputy chief executive Jo Fautley said this three-year improvement proved that "construction is serious about changing the way it does business."

BESA added that it was pleased to see progress on what had been a major problem for SMEs and urged main contractors and other large construction players to keep up the momentum to bring down payment periods still further.

"Late payment has been a severe drain on cash flow in our sector for many years forcing a number of perfectly well run companies out of business," said the Association's director of legal and commercial Debbie Petford.

Challenging

“Building services firms are facing challenging conditions created by rising inflation and supply issues, so keeping the cash flowing is more crucial than ever – particularly for smaller businesses.

“There is plenty of work out there and our members are, generally, seeing turnover moving in the right direction, but that makes it even more important that they get paid on time so they can continue to invest in people and processes to be able to deliver projects promptly and on budget.”

BESA also said the Reporting on Payment Practices and Performance regulations introduced by the government in 2017 had played a crucial part in improving the situation but should now be updated to maintain progress. The Association contributed to a sector-wide response led by the umbrella body Actuate UK to a BEIS consultation on changes to the regulations, which revealed that some companies were now “gaming the system”.

“The regulations have been transformative, but it is important that the reporting process is now updated to reflect the value of the payments – not just the number and volume of transactions,” explained Petford.

“Compliance by value is much more important than compliance by volume, particularly for SMEs. However, it should not be difficult to update the reporting mechanism to achieve this because the processes are now largely automated.

“Without this change, the data will become increasing obsolete because high volumes of low value transactions can be used to distort the true picture and disguise the fact that large amounts of credit remain outstanding,” said Petford.

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