

BESA welcomes chance to solve late payment 'once and for all'

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The [Building Engineering Services Association](#) (BESA) has welcomed a [new consultation launched by the government](#) as a “once in a generation” opportunity to tackle the ongoing threat to small engineering businesses posed by late payment and retentions.

The consultation, which is part of its wider Small Business Strategy, will seek answers to a problem that has been undermining SMEs in construction-related sectors for decades and continues to force many small specialist engineering firms into insolvency. The strategy contains legislative and regulatory measures designed to improve payment practices among large companies and a range of other measures to support SME growth. The government is considering proposals to increase transparency and accountability among large firms responsible for paying supply chain partners and the potential abolition of retention payments.

According to a recent Federation of Small Businesses report, 52% of small businesses (around 2.8 million firms), continue to be seriously affected by late payments. Over a quarter admitted they had to rely on expensive short-term financing to plug gaps in their cashflow, and many have been forced to write off late payments as bad debts, due to the time and cost involved in chasing up money owed.

Under draft legislation, the Companies (Directors’ Report Payment Reporting) Regulations 2025, companies with more than 250 employees will be required to disclose their payment performance in their annual reports. This will include data on how long it takes to pay suppliers, and the percentage of payments made within agreed terms.

Accountability

The aim is to increase transparency and accountability. Currently, payment data is submitted to a

government portal, but this is not widely viewed. Embedding payment performance in annual reports instead would make poor practices more visible to clients and potential suppliers.

Audit committees could also be given greater responsibility for overseeing payment practices and holding executive teams to account.

“Today’s policy announcement and consultation confirms that the government understands the need for reform backed by legislation and that the industry must make the necessary changes to its payment culture,” said BESA’s Legal and Commercial Director Debbie Petford.

“We have been waiting a long time for proper late payment legislation backed up by real enforcement. We encourage companies from across the engineering services sector to take this once in a generation opportunity to put forward their solutions and help lay the foundations for a future business environment in which they can thrive - not just survive.”

She added that a succession of ‘voluntary’ pledges on late and unfair payment over the years had not helped the cause of sub-contractors struggling to claim fair payment “for work they have completed in good faith”.

“The collapse of ISG last year demonstrated just how vulnerable small contractors are to insolvencies further up the supply chain. Too many perfectly good businesses have been lost because they have been denied the lifeblood of healthy cash flow,” said Petford.

“This consultation is the opportunity we have been calling for to address this blight on our industry once and for all.”

BESA said it would be contacting its members to explain how they can take part in the consultation.

BESA members can also access expert advice and support from the Association’s legal team on all payment, contract conditions and insolvency matters [here](#).