



Marina Ahmad AM
Chair of the Economy Committee

Sadiq Khan
Mayor of London
(Sent by email)

12 March 2024

Dear Sadiq

I am writing to you as Chair of the London Assembly Economy Committee following the Committee's investigation into the effect of late payments on London's small businesses and the self-employed. The Committee held a meeting in City Hall on 6 February 2024, which was attended by the following guests:

- **Liz Barclay**, Small Business Commissioner, Office of the Small Business Commissioner (OSBC)
- **Alex Conway**, Assistant Director for Economic Development and Programmes, Greater London Authority (GLA)
- **Howard Dawber**, Deputy Mayor for Business, GLA
- **Kate Dearden**, Head of Research, Policy and External Affairs, Community Union
- **Abdul R Shiil**, Co-Founder and Director, Sahan Cares
- **Laura Timm**, Greater London Representative, Federation of Small Businesses (FSB)

The purpose of our investigation was to gain a better understanding of what factors cause businesses, public bodies and other organisations to pay the businesses they are contracting with late. We examined how widespread this practice is and what impact it is having on small businesses and the self-employed in London. We looked at what actions central Government and the Mayor have taken so far and asked what more can be done to address this issue.

Whilst there is some evidence to suggest that the picture has improved over the last decade,¹ we heard that late payments remain a widespread problem, harming London's small businesses and stifling investment. It is difficult to tell exactly how widespread a problem this is, as there is no standard definition of a late payment. This lack of an agreed-upon definition also makes it challenging to enforce existing rules and guidelines, reducing the effectiveness of the public body set up to tackle this problem, the Office of the Small Business Commissioner (OSBC).

During the Committee's investigation we found that there are opportunities for the Mayor and the GLA to lobby the Government on the issue of late payments. The GLA should also lead by example by paying its suppliers on time, and through providing additional support to London's small businesses impacted by late payments.

Empowering the Small Business Commissioner

Late payments are a common problem for the self-employed and small businesses, as well as for business owners and their staff. According to a recent report shared with us by the Federation of Small Businesses (FSB), just over half of small businesses in London experienced late payments in 2022, with delay periods in London being close to 10 per cent higher than the national average.²

The Committee heard that the uncertainty associated with having to chase invoices can reduce businesses' productivity and deter them from investing.³ In some cases, it can negatively affect business owners' mental health and make it difficult for them to pay staff on time.⁴ Liz Barclay, who leads the OSBC, told us that mental health issues are 'one of the biggest impacts' and that this has been growing 'exponentially' among small businesses in the past year.⁵

The OSBC was set up by the Government to address this problem. One way in which the OSBC does this is by administering the Prompt Payment Code (PPC), a voluntary code of practice setting standards for payment practices between businesses. The code stipulates that 95 per cent of invoices to small businesses must be paid within 30 days.⁶

Liz Barclay told the Committee that the PPC's stipulations are at odds with current reporting practices. Currently, businesses are only required to disclose whether they are paying suppliers in 30, 60, or 90 days. There is no requirement to disclose payment practices with regards to small businesses. The Committee heard that this makes it challenging for the OSBC to audit companies.⁷

This is further complicated by a lack of a firm definition as to what constitutes a 'late payment'. Whilst legislation suggests payments should be made within 30 days, Liz Barclay told the Committee there is currently no agreed standard for 'when the clock starts ticking'.⁸ She emphasised that there needs to be clarity. Currently, there are multiple possible starting points from which to begin

¹ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 3)

² Federation of Small Businesses, [Time is Money Report](#) (pp. 10-11)

³ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (pp. 7,20)

⁴ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (pp. 5, 7)

⁵ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 7)

⁶ Office of the Small Business Commissioner, [What is the PPC](#)

⁷ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 15)

⁸ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 9)

measuring payment times, such as the date of receipt of the goods or service, the date that appears on the invoice, or the date the invoice is received by the contractor.⁹

We were told that a standard definition and clear reporting standards are vital pre-requisites for the OSBC to better enforce the PPC, ensuring businesses adhere to the code. This would also make it easier to measure the OSBC's impact on reducing late payments to small businesses. Liz Barclay told us that trying to measure the outcomes of her Office's actions is currently akin to 'nailing jelly to a wall'.¹⁰

Recommendation 1: *The Government should publish a statutory definition of when a payment is late, allowing for a consistent measurement of payment delays. This should set out a clear and consistent starting point from which payment times are to be measured. The Mayor should lobby the Government to implement this.*

The OSBC also has powers to investigate businesses who may be paying suppliers late. However, currently the OSBC can only carry out an investigation after receiving a complaint from a small business. Liz Barclay told us that this poses problems as small businesses are often fearful of third-party intervention jeopardising existing relationships with clients.¹¹ This was echoed by Abdul R Shiil, Co-Founder and Director of Sahan Cares, who told us that businesses on the receiving end of late payments often adopt a cautious attitude to avoid being on their clients' 'bad books'.¹²

The inability to independently investigate businesses further limits the OSBC's effectiveness. We heard that businesses are often reluctant to work with the OSBC and provide them with important details to enable an investigation.¹³ The Committee is aware that in November 2023, the Government announced it would 'broaden' the OSBC's powers and enable the Commissioner to 'undertake investigation and publish reports where necessary on the basis of anonymous information and intelligence'.¹⁴ The Committee welcomes this proposal. We believe this should include providing the OSBC with the powers and resources to investigate under its own initiative.

Recommendation 2: *Given that the Government has committed to broaden the powers of the Office of the Small Business Commissioner, the Mayor should lobby the Government to equip the Commissioner with the powers to proactively investigate companies with poor payment practices and to provide the Commissioner with the resources to do so.*

Ensuring businesses can access the support that is right for them

Changing the legislation pertaining to late payments falls outside of the Mayor's direct remit, but there are opportunities for the Mayor to raise awareness of this issue and deploy resources to support London's small businesses struggling with late payments.

⁹ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 9)

¹⁰ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 12)

¹¹ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 12)

¹² [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 17)

¹³ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 12)

¹⁴ Department for Business & Trade, [Payment and cash flow review report](#) (p.5)

The Mayor has pledged to create a 'single front door for business' and recently launched the 'Grow London Local' platform, to replace the London Business Hub and provide advice and support to London's small businesses. We heard from Howard Dawber, Deputy Mayor for Business, who stressed that one focus of the initiative is to guide small businesses through the procurement and tendering process, and 'champion the use of small businesses in the supply chain'.¹⁵

We welcome this initiative, as we found there is generally a strong appetite for additional forms of support from London's small businesses. Kate Dearden, Head of Research, Policy and External Affairs at Community, shared with us that her union already provides support for self-employed members when negotiating contracts, but that many could benefit from further support.¹⁶ This was echoed by Abdul R Shiil, who told us that he would welcome more help in this area, if it were available.¹⁷

The Committee also heard that many businesses are not aware that there is help and support available. Laura Timm from the FSB told the Committee that many businesses do not know they can negotiate better payment terms.¹⁸ Whilst some businesses proactively reach out to the OSBC to seek help, in many cases this only happens once they have already been locked into existing contracts and are close to insolvency.¹⁹

This presents an opportunity for the Mayor to raise the profile of this issue and make it clear to small businesses where they can find the support that is right for them. Liz Barclay emphasised that many small business owners are time-poor and may not always be able to enrol in lengthy training courses.²⁰ This underlines the importance of providing a range of resources in a way that is easy to find, without business owners having to navigate a complex web of resources.

Recommendation 3: *The Mayor should use his public communications channels to raise the profile of the issue of late payments. This should involve signposting businesses to a comprehensive list of resources, including resources provided by the Office of the Small Business Commissioner and the Mayor's own 'Grow London Local' platform. In his response to this letter, the Mayor should outline his plans to inform London's small businesses of the support available under his recently-launched 'Grow London Local' platform, particularly in relation to negotiating contracts and payment terms.*

Leading by example

As a large organisation, the Committee believes that the GLA has a responsibility to pay the small businesses it contracts with on time. Both Laura Timm and Abdul R Shiil said they would like to see the GLA lead by example.²¹ Laura Timm further suggested making London a 'prompt payment capital', with the Mayor leading by example and encouraging businesses to pay their suppliers on time.²²

¹⁵ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 11)

¹⁶ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (pp. 15-16)

¹⁷ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 15)

¹⁸ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 17)

¹⁹ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 16)

²⁰ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 18)

²¹ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 31)

²² [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 31)

We welcome the Mayor's target to pay at least 90 per cent of invoices to small and medium sized businesses within 10 days, as outlined in the GLA Group's 'Responsible Procurement Policy'.²³ The Committee notes that this target is more ambitious than the 30-day target set out in the PPC. However, we learned that further action needs to be taken to achieve this enhanced target. Howard Dawber shared the latest figures for the 2023/24 financial year, which showed that 74.4 per cent of invoices from small and medium sized businesses to the GLA Group were paid within 10 days. The latest figure for the GLA itself for the 2023/24 financial year is 83.9 per cent.²⁴ Alex Conway from the GLA told us that this latter figure represents 158 invoices with a value of 1.78 million.²⁵

The GLA also publishes data on the total number of invoices (not just to SMEs) that have been paid within 30 working days. Its target is to pay 90 per cent of invoices within this time. In Quarter 2 2023-24, 95 per cent of these invoices were paid within 30 days.²⁶

Howard Dawber explained that for 'almost 90 per cent' of unpaid invoices, this is due to invoices having been issued incorrectly, which leads to delays in the payment being processed. In those instances, the Committee heard, the GLA seeks to work with suppliers to ensure future invoices are issued correctly.²⁷

Given the large proportion of overdue invoices reportedly being due to this issue, the Mayor should take action to clearly outline to suppliers how to issue invoices correctly. Liz Barclay told us that problems like this may be due to a lack of communication and that new suppliers should be taken through an induction to help them understand 'what makes an invoice payable'.²⁸ Alex Conway told the Committee that the GLA was taking action to liaise with the OSBC to ensure the GLA improves its payment performance.²⁹

Recommendation 4: *The Mayor and the GLA Group should work with the Small Business Commissioner to ensure the GLA and the wider GLA Group meet their internal performance target of paying 90 per cent of all invoices from small businesses within 10 days. In his response to this letter, the Mayor should explain what action he is taking to ensure small businesses understand how to correctly issue an invoice to the GLA Group. He should further outline timescales for when he expects to meet the above-mentioned target.*

The Committee would welcome a response to this letter by Friday 10 May 2024. Please send your response to by email to the Committee's clerk, Jack Booth (jack.booth@london.gov.uk).

Yours sincerely,

²³ Greater London Authority, [The GLA Group Responsible Procurement Policy](#)

²⁴ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 24)

²⁵ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 29)

²⁶ GLA, [GLA performance and finance monitoring](#)

²⁷ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 31)

²⁸ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 32)

²⁹ [London Assembly Committee – Tuesday 6 February 2024: Late Payments](#) (p. 19)



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