



THE CABINET OFFICE
LONDON SW1A 2AS

Mark Fox
Chief Executive
The Business Services Association

11 March 2019

From Mark,

As you know, Government has a longstanding commitment to make it easier for small and medium sized firms (SMEs) to access government contracts. We have set out a range of measures to reduce barriers to small business, making the process of bidding less complex and building opportunity across the UK.

To support this commitment, we are taking action to reduce late payment in public sector supply chains. From 1 September 19, suppliers for all Central Government contracts in excess of £5m per annum, will be required to demonstrate good payment practice with their subcontractors, the standard for which is the payment of **95% of invoices within 60 days across two six monthly reporting periods**. Failure to demonstrate such practices may result in suppliers being excluded from bidding on government procurement.

I am confident that this policy reflects the importance of prompt, fair and effective payment - ensuring businesses have a healthy cash flow. However, we must ensure that all current and potential future suppliers to government are aware of this change and the required standards that they will soon be expected to meet.

I would therefore be grateful if you could highlight these changes to your members, encouraging them to consider their own payment practices over the coming weeks. It

is vital that any necessary improvements are made as soon as possible in advance of 1 September.

Finally, I wanted to flag that in a recent Cabinet Office survey some government suppliers have been unable to provide detail on their indirect spend with SMEs. This data is essential - enabling us to accurately monitor progress towards our target central government SME spend of 33% by 2022. I would like to encourage your members to highlight any challenges in the provision of this data and to take part in all future surveys of this type - we cannot achieve this ambition without their support.

I have copied this letter to Gareth Rhys Williams, Government Chief Commercial Officer, whose team will be able to answer any queries you may have on the above initiatives.

Y


John A Manzoni

Chief Executive of the Civil Service & Cabinet Office Permanent Secretary