



## Governance *in brief*

Updated duty to report on payment practices and performance

### Headlines

- The Government continues to strive for improvements in UK payment culture. UK companies and limited liability partnerships (LLPs) defined as large under the regulations have been required to report on their payment practices and performance twice a year since 2017.
- Following a five-yearly review of the regulations, the Government has renewed and reinforced the reporting requirements.
- The Reporting on Payment Practices and Performance (Amendment) Regulations 2024 came into force on 5 April 2024 and will be in force until 2031, with a five-yearly review in 2029. Key new requirements include reporting on:
  - The sum total of invoices paid in 30 days or fewer, between 31 and 60 days, and over 60 days (current requirements are for the proportion of invoices).
  - The sum total of payments that fell due within the reporting period and were not made within the agreed payment period.
  - The percentage of payments that fell due within the reporting period which were not made within the payment period as a result of a dispute.
- These new requirements apply to financial years commencing on or after 1 January 2025.
- In addition, for companies with construction contracts, the Reporting on Payment Practices and Performance (Amendment) Regulations 2025 will come into force on 1 March 2025, applying to financial years commencing on or after 1 April 2025. This requires the publication of both qualitative and quantitative information about retention clauses relating to qualifying construction contracts.
- The Government updated and re-published its guidance in late 2024. Currently the guidance does not cover the new requirements relating to qualifying construction contracts.

## Background to the changes

The Reporting on Payment Practices and Performance Regulations 2017 (the PPPR) came into force in April 2017 and introduced a requirement for large UK companies and LLPs to disclose their payment practices and performance. The Government conducted a five-yearly review following which it determined that there was value in continuing the requirement; a consultation on proposed changes to the regulations closed in April 2023 with the Government response published later that year.

The changes set out in the response aim to improve the reporting under the regulations by introducing new measures to add to the existing reporting requirements, including a “value” metric and a “dispute” metric, with the intention “to help improve payment practice transparency and awareness across the UK... The hope is that these new measures will help reduce payment times even further and help business to make better decision[s].”

The changes have been introduced through two pieces of secondary legislation:

- The Reporting on Payment Practices and Performance (Amendment) Regulations 2024 applies for financial years commencing on or after 1 January 2025.
- The Reporting on Payment Practices and Performance (Amendment) Regulations 2025 applies for financial years commencing on or after 1 April 2025.

In addition, the Government has introduced a new Fair Payment Code and announced its intention to pass secondary legislation to require large companies to include information about their payment performance in their annual report.

Any failure to comply runs the real risk of commercial and reputational damage, including public and media pressure. The PPPR provides that failure to publish a report within the filing period (or failure to publish at all) is a criminal offence, as is publication of false or misleading information, with the company and directors (or designated members for an LLP) liable to a fine.

## Scope - which companies are affected?

There is no change to the companies that are classified as qualifying businesses for the purposes of the PPPR. The requirement to report on payment practices and performance, including key policies, applies to individual large UK companies and large LLPs, in any sector, which have exceeded two or more of the large company thresholds under the Companies Act 2006 s465(3) on both of their last two balance sheet dates, which are currently:

- Over £36 million annual turnover
- Over £18 million balance sheet total
- Over 250 employees

The thresholds under the Companies Act are changing and we explore the potential impact later in this publication.

For parent companies and LLPs, the size of the group they head determines whether they qualify as small or medium-sized under the Companies Act for accounting purposes. For this duty to report, parent companies or LLPs which head large groups are only required to report if they qualify as large (as per definition above) in their own right and if the group headed by them also exceeds two or all of the group thresholds.

Where a company or a parent company has only recently been formed, it will qualify to report under the regulations in their second financial year if on its first balance sheet date it exceeded two of the individual company thresholds and, in the case of a parent company, if the group headed by it also exceeded two of the group thresholds.

Each qualifying business continues to be required to publish its own individual reports (i.e. not a consolidated group report). This provides suppliers and potential suppliers with clarity about the payment performance of a particular business, so that they can make informed decisions about that business.

Businesses incorporated outside of the UK, including overseas companies registered under the Companies Act but not formed under the Companies Act, are not required to report.

## Scope – contracts covered

Businesses in scope have to publish information about their payment practices and policies in relation to contracts which are for goods, services or intangible assets (including intellectual property) connected to the carrying on of their business. This excludes certain payments such as those relating to taxation or business rates.

Contracts will also have to have a significant connection with the UK to be covered by the duty to report, which may lead to detailed considerations being required for companies with non-UK suppliers. Whether a contract has a significant connection with the UK will depend on the circumstances, but examples would include a contract which will be performed in the UK, or where one or both parties is established in the UK or carries on a relevant part of their business in the UK. The Government's guidance includes three illustrative scenarios.

Although financial services contracts are excluded from the reporting requirement, financial services companies themselves are still required to report.

Retention payments for construction contracts are the focus of The Reporting on Payment Practices and Performance (Amendment) Regulations 2025. For the purposes of these regulations, a construction contract is as defined in The Housing Grants, Construction and Regeneration Act 1996 (HGCRA 1996) and covers all agreements for the carrying out of "construction operations", including agreements to do architectural, design or surveying work and providing advice on building, engineering or decoration in relation to construction operations. The definition excludes construction relating to oil and gas drilling and extraction, nuclear processing and power generation and under the amended PPPR it excludes any construction contract with a residential occupier.

## Reporting requirements

The tables below indicate the reporting requirements under the combined regulations and the date they each take effect, by nature of reporting requirement (narrative, statistical, tick-box). All requirements relate to all qualifying contracts or to qualifying construction contracts only, as indicated.

### Narrative description

Requirement	Further detail
<p>The organisation's payment terms</p> <p><i>Existing requirement</i></p>	<p>Including:</p> <ul style="list-style-type: none"> <li>• Standard contractual length of time for payment of invoices</li> <li>• Maximum contractual payment period</li> <li>• Any changes to standard payment terms and whether suppliers have been notified or consulted on these changes</li> </ul>
<p>The organisation's process for dispute resolution related to payment</p> <p><i>Existing requirement</i></p>	
<p>Retention clauses for construction contracts</p> <p><i>For financial years commencing on or after 1 April 2025</i></p>	<p>Including:</p> <ul style="list-style-type: none"> <li>• Whether payment practices and policies include the use of retention clauses</li> <li>• If so, whether that relates to all construction contracts</li> <li>• If retention clauses are only included in specific circumstances, a description of those circumstances, including any standard practices</li> <li>• The mechanism for release of monies deducted or retained</li> </ul>

## Statistics

Requirement	Further detail
Average time taken to make payments <i>Existing requirement</i>	From the date of receipt of invoice or other notice to the date the cash is received by the supplier
Percentage of payments made within the reporting period <i>Existing requirement</i>	In 30 days or fewer, between 31 and 60 days, over 60 days
Value (sum total) of payments made within the reporting period <i>For financial years commencing on or after 1 January 2025</i>	In 30 days or fewer, between 31 and 60 days, over 60 days
Proportion of invoices due within the reporting period which were not paid within agreed terms <i>Existing requirement</i>	
Value (sum total) of invoices due within the reporting period which were not paid within agreed terms <i>For financial years commencing on or after 1 January 2025</i>	
Percentage of invoices that were not paid within agreed terms because of a dispute <i>For financial years commencing on or after 1 January 2025</i>	
Percentage difference between the overall value of monies deducted or retained pursuant to retention clauses with suppliers and retention clauses with clients <i>For financial years commencing on or after 1 April 2025</i>	
Percentage difference between the overall value of monies deducted or retained pursuant to retention clauses with suppliers and overall value of payments to suppliers under qualifying construction contracts <i>For financial years commencing on or after 1 April 2025</i>	

## Tick-box statements

Requirement	Further detail
Does the organisation offer e-invoicing?	
<i>Existing requirement</i>	
Does the organisation offer supply chain finance?	
<i>Existing requirement</i>	
Do the organisation's practices and policies cover deducting sums from payments as a charge for remaining on a supplier's list, and have they done this in the reporting period?	
<i>Existing requirement</i>	
Is the organisation a member of a payment code?	If so, the name of the code
<i>Existing requirement</i>	

The amended regulations clarify that, where supply chain finance is used and the supplier receives its payment from a finance provider, a delay in the supplier receiving payment for which the company is not responsible should not be recognised under the regulation – i.e. the payment is deemed to have been made when the supplier would have received payment if not for the third party's delay.

## Form, frequency and timing of reporting

Reporting is within 30 days of the end of each six month period and is aligned with the business's key financial reporting dates, i.e. the first report is due 30 days after the end of the first six months of a business' financial year, and the second reporting period ends at the same time as the business' financial year, with the second report due 30 days afterwards. Where the financial period is significantly shorter or longer than 12 months, special provisions apply. If the financial period is nine months or less, only one report will be required, if 15 months or longer, three reports will be required.

The Department for Business and Trade (DBT) provides a [web service](#) through which companies are required to file their six-monthly reports.

Businesses may publish the information on their own website if they choose to do so, but this is in addition to publishing through the web-based service provided by the government. The approval of a director (or designated member for an LLP) is required for the reporting.

There is no requirement for external assurance on the information reported.

## How is the scope of the PPPR affected by the upcoming changes to the size thresholds in the Companies Act 2006?

The thresholds set out in the Companies Act 2006 will change under secondary legislation for company financial years commencing on or after 6 April 2025. The new thresholds for individual companies will be:

- Over £54 million annual turnover
- Over £27 million balance sheet total
- Over 250 employees

There are commensurate changes to group sizes. The PPPR establishes that once the new thresholds come into effect for a company, it should consider whether it qualifies as though those thresholds were in effect for each of the two relevant balance sheet dates (as relevant for the smoothing criteria as set out in the scope section above).

Therefore, for a company with a December year end which exceeds two of the previous thresholds but **does not** exceed two of the new thresholds, the reporting requirements will be as follows:

- December 2024 – publish PPPR report under the unamended 2017 regulations
- June 2025 and December 2025 – publish PPPR report including the changes introduced by the Reporting on Payment Practices and Performance (Amendment) Regulations 2024 (including the “value” and “dispute” metrics)
- June 2026 – following the threshold changes, the company did not qualify to report at either of the last two balance sheet dates and reporting will not be mandatory

## Reporting and implementation challenges

Since the regulations first came into effect in 2017 there have been some consistent challenges faced both by those falling into scope for the first time and for those who are looking to improve the quality and reliability of their reporting under the PPPR. These include:

- **Establishing the date of receipt of the invoice:** payment performance is calculated from the date of receipt of the invoice from the supplier, as outlined in the table above, however this will often not be either the date on the invoice or the date the invoice is entered into the system.
- **Analysing payment terms:** some contract management and ERP systems are not straightforward when attempting to extract payment terms agreed with different suppliers and may require manual intervention and checking of contract terms.
- **Intercompany contracts:** Intercompany contracts are not mentioned in the regulations and should therefore be treated in the same way as any other contract. However, if the reported figures may be distorted because intercompany contracts are treated differently for settlement purposes, some narrative explanation can be added at an appropriate point in the form regarding these different terms.
- **Individual entity reporting:** however the business is managed internally, the duty to report falls on individual companies meeting the size criteria, so not all members of a group will necessarily need to prepare a report. The Government’s website does not provide an option to report on a group-wide basis, although some groups track information on this basis with an eye to potential future reporting obligations. In October 2024 the Secretary of State for Business and Trade stated that the Government intends to introduce secondary legislation in this parliament to make it a requirement for large companies to include information about their payment performance in their annual reports.

Companies may also wish to contemplate director training. Failure to publish a report, along with knowing or reckless publication of misleading, false or deceptive information, is a criminal offence not only for the business but for each director of the company, or designated member of an LLP. It is advisable for directors of large subsidiaries as well as main board directors to receive training or otherwise be brought up to speed both with the duty to report itself and the recent changes to the duty.

Boards have a duty under s172(1) of the Companies Act 2006 to promote the success of the company for the benefit of its members as a whole, whilst having regard to stakeholders including suppliers. As such, boards may wish to exercise oversight of prompt payment practices and reporting under the PPPR. Some boards also evaluate supplier feedback and dispute resolution mechanisms as part of their consideration of a dashboard of culture metrics to meet Provision 2 of the UK Corporate Governance Code.

In December 2024 the new Fair Payment Code was introduced as the successor to the Prompt Payment Code. This has a tiered system of gold, silver and bronze award categories underpinned by fair payment principles and administered by the Small Business Commissioner. Boards may wish to consider whether there is strategic benefit to the business in seeking one of these awards.

## Deloitte view

- We agree with the Government's focus on the importance of responsible payment practices. Since they came into effect, the PPPR has had an impact in shaping how organisations have implemented prompt payment practices and encouraging positive behaviours.
- The Small Business Commissioner and organisations that support small businesses with cash flow matters routinely use the data obtained from reporting under the PPPR to encourage better practice.
- Boards should ensure payment practices and performance are on the agenda and that directors are fully informed of the existing and new reporting requirements and the level of public scrutiny poor performance may invite.

## For further information

- [Duty to report: guidance to reporting on payment practices and performance](#)
- [Fair Payment Code](#)

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For further details about the Deloitte Academy, including referring colleagues for membership, please email [enquiries@deloitteacademy.co.uk](mailto:enquiries@deloitteacademy.co.uk).

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