

Resources:

Legislation

Specific construction payment and dispute resolution legislation creates a framework for fair and prompt payment through the construction supply chain, and a resolution procedure for disputes. The main pieces of legislation work together to create a statutory framework in England:

- Part 2 of the [Housing Grants, Construction and Regeneration Act 1996](#) (the 'Construction Act'). Amended by Part 8 of the [Local Democracy, Economic Development and Construction Act 2009](#).
- [The Scheme for Construction Contracts \(England and Wales\) Regulations 1998](#). Amended by [the Scheme for Construction Contracts \(England and Wales\) Regulations 1998 \(Amendment\) \(England\) Regulations 2011](#).
- [The Construction Contracts \(England and Wales\) Exclusion Order 1998](#), [the Construction Contracts \(England\) Exclusion Order 2011](#) and the most recent [Construction Contracts \(England\) Exclusion Order 2022](#).

[The Late Payment of Commercial Debts \(Interest\) Act 1998](#) has two purposes. Firstly, to compensate creditors for the late payment of debts. Secondly, to deter late payment. You can claim interest and debt recovery costs if another business is late paying for goods or a service. Further information can be found [here](#).

The [Reporting on Payment Practices and Performance Regulations 2017](#) and [Limited Liability Partnerships \(Reporting on Payment Practices and Performance\) Regulations 2017](#) make it a requirement for large businesses that meet certain criteria to report their payment performance publicly through GOV.UK.

[The Reporting on Payment Practices and Performance \(Amendment\) Regulations 2024](#) came into force on 5 April 2024. These Regulations extend the principal regulations and the LLP regulations beyond their previous sunset date of 6 April 2024 to 6 April 2031 and require additional information to be reported by qualifying companies and LLPs.

These new requirements relate to:

- the sum total of payments made during the reporting period; and
- the percentage of payments that were paid during the reporting period which were not paid within agreed terms because of a dispute,

[The Reporting on Payment Practices and Performance \(Amendment\) Regulations 2025](#) came into force on 1 March 2025. These Regulations require qualifying businesses and LLPs to publish certain information on their practices, policies and performance with respect to retention clauses in any qualifying construction contracts with suppliers.

Requirements include:

- a statement on whether the payment practices and policies of the business include or do not include retention clauses; and
- where a business makes a statement that retention clauses are included in their construction contracts, further information must be submitted.

Updated [guidance](#) on the statutory reporting duty for payment practices and performance for large companies has been published. This update incorporates amendments to date.

Public Sector

The Procurement Act aims to create a simpler, more flexible and transparent system. The new procurement rules will apply from 24 February 2025. Existing legislation will apply until the new regime goes live and will also continue to apply to procurements started under the old rules.

The Procurement Act will mandate that all public procurement contracts include a 30-day payment term, which is implied into all contracts even if not explicitly written into them. This term will also extend to any subcontracts that are wholly or substantially meant to contribute to the performance of a public contract. This [change](#) will apply to the entire public supply chain. Invoices will have to be paid within 30 days of receipt, not when they are validated. Furthermore, contracting authorities will be required to publish Payments Compliance Notices every six months. The notices will detail the authority's compliance with paying invoices within 30 days of receiving the invoice. This will align public sector payment reporting with the private sector.

As a buyer or commissioner of supplies, services and works for the public sector you need to understand and be able to readily access the regulations and policies relating to procurement. The Cabinet Office is responsible for the legal framework for public sector procurement and leads on the development and implementation of [procurement policies](#) for government.

The [Public Procurement Review Service](#) (formerly known as the Mystery Shopper Service) sits within the Cabinet Office and allows government suppliers and potential government suppliers to raise concerns anonymously about potentially poor public sector procurement practice.

[Procurement Policy Notes](#) (PPNs) provide best practice guidance for procurement for public sector organisations, together with supporting documentation. The following PPNs are particularly relevant to payment practices:

- [PPN 05/15](#): Prompt payment and performance reporting.
- [PPN 10/23](#): Taking account of a supplier's approach to payment in the procurement of major contracts (**in force to 23 February 2025**).
- [PPN 015](#): Taking account of a supplier's approach to payment in the procurement of major contracts (**in force between 24 February 2025 and 30 September 2025**).
- [PPN 018](#): Taking account of a supplier's approach to payment in the procurement of major contracts (**in force from 1 October 2025**).

From September 1, 2019, any supplier bidding for a central government contract above £5 million per year has needed to demonstrate that they have effective payment systems. To demonstrate this, suppliers must ensure that 95% of invoices in their supply chain are paid within 60 days and that they pay their invoices within an average of at least 55 days.

From 1 October 2025, PPN 018 makes clear that suppliers must pay their invoices within an average of 45 days.

Up to date guidance on government's prompt payment policies is available at [GOV.UK](https://gov.uk).

The [Construction Playbook](#) sets out key policies and guidance for how public works projects and programmes are assessed, procured and delivered. These are set out in 14 key policies for how the government should assess, procure and deliver public works projects and programmes which all central government departments and their arm's length bodies are expected to follow on a 'comply or explain' basis.

Initiatives

[Build UK](#) collates the latest data on the payment performance of the largest companies in the construction sector and central Government in order to provide transparency for the industry.

The [Private Sector Construction Playbook](#) has been developed by the industry, for the industry, to help drive a step change in the way projects are commissioned, procured, and delivered.

The new Fair Payment Code replaces the Prompt Payment Code and introduces a gold, silver, and bronze system to reward best payment practices and help smaller firms identify reliable and trusted partners. It aims to boost cash flow for small businesses which is crucial for their survival, by tackling late payments and lengthy payment terms that can lead to financial strain and failure. Businesses can sign up [on this website](#). Further details can be found [here](#).

The [Office of the Small Business Commissioner](#) is an independent public body set up by Government under the Enterprise Act 2016 to tackle late payment and unfavourable payment practices in the private sector. Complaints from the construction sector or work undertaken under the Housing Grants, Construction and Regeneration Act 1996, are outside the remit of the Small Business Commissioner. General advice and signposting is available.