



Mark Isherwood MS
Chair of the Public Accounts and Public
Administration Committee
Welsh Parliament
Cardiff Bay, Cardiff
CF99 1SN

20 March 2026

Dear Mark,

RE: Common Framework for Late Payment.

I refer to the Public Accounts and Public Administration Committee's work and their recommendations on the Late Payment: Provisional Common Framework. The UK Government has considered these comments received during scrutiny and made minor changes to the Late Payment Framework, published at: [Late payment common framework - GOV.UK](#)

It is important, in my view, that the Framework is considered alongside other developments regarding late payments. These include the publication of the Small Business Commissioner's Fair Payment Code and the proposed programme of legislation following the Late Payment consultation carried out by UK Government in 2025.

On the 3 December 2024 the Small Business Commissioner launched the Fair Payment Code. This replaces the previous Prompt Payment Code with a tiered system of Awards which rewards businesses that pay their suppliers quickly and are driving improvements in payment performance.

The three Award tiers businesses can apply for are:

- Gold Award - To pay at least 95% of all invoices within 30 days
- Silver Award - To pay at least 95% of all invoices within 60 days, including at least 95% of invoices to small businesses (with fewer than 50 employees) within 30 days
- Bronze Award - To pay at least 95% of all invoices within 60 days

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In addition to this, the UK Government consultation on further changes to legislation to help tackle late payments took place from 31 July to 23 October 2025: [Late payments consultation: tackling poor payment practices - GOV.UK](#). The key proposals in the consultation cover:

- Maximum payment terms
- Assurance of payment reporting data
- Additional reporting on statutory interest
- Penalty fines
- Additional powers for the SBC
- Invoice verification period
- Mandatory statutory interest
- Use of retention clauses in construction contracts

The information provided in this letter concern the Common Framework for Late Payment. The recommendations in relation to the Common Framework for Public Procurement which were also included in your letter will be responded to separately.

My responses to your questions regarding the Late Payment Framework and recommendations are set out below.

Dispute resolution and policy divergence

1. The Public Accounts and Public Administration Committee (hereafter referred to as ‘the Committee’) recommends that the Welsh Government explains how it assessed the risks and benefits of entering into these common frameworks, including any potential limits to its regulatory autonomy, beyond those which existed within the EU rule book these replace.

The Welsh Government should explain how the decision-making processes in both frameworks will work in practice.

As late payment is a devolved matter, the Framework is an important agreement to protect our interests within the UK and internationally.

The Common Framework does not limit the autonomy of the Welsh Government. Rather, it allows scope for divergence which may require legislation through the Senedd. The Framework provides a mechanism for the four nations in the UK to continue to develop and publish their own policies and legislation regarding late payment whilst acknowledging the effects of any divergence, it also provides business with consistency of approach.

2. The Committee recommends that Welsh Government seeks to include a commitment to ongoing stakeholder engagement if devolved Welsh legislation is tabled which falls within the scope of the two frameworks.

Furthermore, that the Welsh Government seeks intergovernmental agreement that neither framework will lead to a dilution in the role of parliaments and stakeholders in making law and policy that falls within the scope of either framework, beyond the restrictions applying to the previous EU rule book.

Also, that the Welsh Government should explain how it will ensure the frameworks do not limit the role of the Welsh Government, the Senedd or stakeholders in Wales

when making law and policy in Wales, beyond the restrictions applying to the previous EU rule book.

Common Frameworks do not in themselves limit the role of the Welsh Government in formulating policy or making law. Common Frameworks support UK wide policy development and implementation where desirable and are managed with reference to the 2017 JMC(EN) principles.

Similarly, Common Frameworks do not limit the role of the Senedd and will not change the way that we engage with the Senedd and consult with stakeholders. Common Frameworks allow scope for divergence which may require legislation through the Senedd, and such legislation would be subject to the scrutiny of the Senedd in the usual way.

The Welsh Government remains committed to keeping the Senedd updated on the progress and activities of the Common Frameworks programme. The Interministerial Standing Committee, which has four government oversight of the Common Frameworks programme, has agreed an annual reporting template. This will be used to inform the Senedd and other stakeholders of key developments.

There is a consultation on proposed legislation affecting late payments and I intend to also consult stakeholders in Wales on the Late Payment Framework itself. This consultation will inform the Late Payment Working Group first annual review of the Framework.

3. The Committee requests an explanation as to why time limits are not currently specified in the dispute resolution process, what the implications of this are and whether the Welsh Government considers they should be. The Committee would also welcome an explanation as to why the Late Payment framework does not also provide for actions under dispute to be paused.

In terms of timings for the dispute resolution process (DRP), these will vary as they depend on the complexity and scope of dispute at hand and will be considered on a case-by-case basis. The timeframes for each escalation stage for the dispute resolution process are outlined in the jointly operationalised ways of intergovernmental working published on gov.uk.

Overall, the aim is to resolve disagreements as quickly as possible and at the lowest possible level.

Whilst the Common Framework does not explicitly set out a dispute-resolution timescale, it confirms that the dispute avoidance and resolution process in [Annex D](#) of the jointly agreed Review of Intergovernmental Relations applies. Disagreements should be resolved as quickly as possible and at the lowest appropriate level, with any government able to escalate a dispute through the agreed process. The impartial IGR Secretariat manages disputes in line with the timeframes set out in [Annex D](#), which can only be varied by mutual agreement.

4. The Committee recommends the Welsh Government seeks intergovernmental agreement to update each framework to reflect the outcome of the Intergovernmental Relations Review. We note that neither framework offers a role for independent advice or arbitration in dispute resolution.

Furthermore, it should seek intergovernmental agreement to amend these frameworks to allow governments to seek independent advice or arbitration via a strengthened dispute resolution process.

The Committee notes that the Intergovernmental Relations Review provides for the governments to seek third party advice on disputes escalated to inter ministerial level but does not require disputes to be resolved by binding arbitration. The Welsh Government should set out how it will mitigate any risks arising from the lack of an independent inter-ministerial dispute resolution process in these frameworks areas, in the absence of a strengthened dispute resolution process.

The Common Frameworks have been updated to reflect the outcomes agreed in the review of Intergovernmental Relations, which includes the Dispute Avoidance and Resolution process.

The Common Frameworks dispute avoidance and resolution processes do not include provisions for independent advice or mediation. However, if the dispute is escalated through the IGR structures, the governments can agree to have an independent third-party mediator.

General

5. The Committee asked to be provided with a list of stakeholders in Wales consulted about each framework, with a summary of their comments.

Consultees on the Late Payment Framework were:

- Confederation of British Industry (CBI)
- Federation of Small Businesses (FSB)
- MAKE UK
- The Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Directors (IoD)
- Chambers Wales
- Cwmpas
- British Independent Retailers Association (BIRA)
- British Retail Consortium (BRC)

None of the consultees made comments on the Late Payment Framework.

6. The Committee recommends that the Welsh Government seek intergovernmental agreement that any joint reports will be published. The Committee also recommends that the Welsh Government seeks intergovernmental agreement to amend the frameworks to ensure that their commitments to reporting are reflected in the frameworks.

We agree that legislatures should be updated as and when significant changes are made to the Common Framework for Late Payment.

In the event of a significant amendment, we agree to publish the updated Common Framework for Late Payment on gov.uk.

The frequency and substance of these updates will be dependent upon ongoing discussions between the UK Government and Devolved Governments. We agree to report to legislatures on the functioning of the Common Framework after the first joint review and following subsequent periodic reviews.

During the periodic review, parties to the Framework will discuss whether the governance and operational aspects of the Framework are working effectively, and whether decisions made over the previous three years need to be reflected in an updated non-legislative agreement. The review process will consider the robustness of procedures for parliamentary scrutiny in decision-making through the Framework.

As noted, an annual reporting template, detailing how Frameworks are operating, has been agreed by all four governments.

7. The Committee recommends that intergovernmental agreement is sought to include the House of Lords recommendations on reporting to parliaments following each review, and that the frameworks should include open stakeholder consultations following the first review process, as part of the frameworks.

All four governments are committed to ensuring that their legislatures have the information they need to properly scrutinise activities in these areas. We anticipate that once Frameworks are finalised, this will form a routine part of general scrutiny from portfolio committees on specific Frameworks.

The Welsh Government agrees with the Committee's suggestion that an open stakeholder consultation is beneficial. We intend to have an open consultation ahead of the first annual review and to report this to the Committee.

Policy in individual nations is decided by ministers on advice from officials who in turn take input on potential policy changes from relevant stakeholders. If a new policy approach has a wider impact, then it may fall within the scope of the Framework and may be discussed at the monthly Common Framework Working Group meeting.

Late Payment

8. The Committee recommends that the Welsh Government seeks intergovernmental agreement that the respective governments of the United Kingdom have regard to the management of common resources when making decisions through the framework.

We will ensure we will take into consideration the JMC(EN) principles when making decisions through this Framework.

9. The Committee recommends the Welsh Government sets out how it will ensure the Common Framework offers no less scope for divergence than would have been possible in the EU.

Common Frameworks do not decrease the flexibility of the Welsh Government to diverge from other UK administrations. They are voluntary intergovernmental agreements that support policy development, drawing on the expertise of each of the UK's administrations

and they establish effective post-EU Exit governance arrangements.

10. The Committee recommends the Welsh Government seeks intergovernmental agreement to amend the framework to clarify that its decision-making processes only apply to changes which go beyond matters applying under preceding EU law.

The Committee also recommends that the Welsh Government inform the Senedd where any policy or legislative proposal is subject to the framework's decision-making processes.

The Welsh Government has committed to notifying the Committee of any new legislation which falls under a Framework.

If feasible, the Welsh Government will notify the Committee of new policy arising under a Framework. However, the nature of policy development necessarily means that in some cases this will not be possible. It is also important to note that no UK administration is bound to implement a new policy because it falls under a Framework, nor is it unusual for policy to be jointly developed in policy areas where no Framework exists. The core purpose of Common Frameworks is to facilitate intergovernmental discussion and intergovernmental working to manage intra-UK divergence.

11. The Committee welcomes the commitment to considering the impact of divergence in late payment policy, recommending that the Welsh Government sets out how it will consider the impact of any divergence in late payment law and policy on businesses operating across borders.

The Framework provides a mechanism for the four nations in the UK to continue to develop and publish their own policies and legislation for late payment whilst acknowledging the effects of any divergence.

If a new policy approach has a wider impact which may affect other UK nations, it will fall within the scope of the Framework and will be discussed at the monthly meeting of officials called the Common Framework Working Group.

Currently, policies on late payment are aligned and the current consultation on proposed changes to legislation provides consultees the opportunity to identify any benefit from policy divergence.

13. The Committee recommends that the Welsh Government report on any UK-EU and international activity within the scope of the framework as part of the regular reports on the framework, with details on recent Welsh Government activity, details of common stances agreed with other parties for the purposes of international engagement, and information about upcoming international development or obligations that would fall within the scope of the framework.

The Interministerial Standing Committee (IMSC) has agreed an annual reporting template which will be used to inform the Senedd and other stakeholders of key developments. Policy teams will ensure that any information about upcoming international developments or obligations falling within scope of the Framework will be covered within these annual reports to legislatures.

Yours sincerely,

Rebecca Evans.

Rebecca Evans AS/MS

Cabinet Secretary for Economy, Energy and Planning

Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio