

# **SMALL BUSINESS, ENTERPRISE AND EMPLOYMENT ACT 2015**

---

## **EXPLANATORY NOTES**

### **COMMENTARY ON SECTIONS**

#### **Part 1: ACCESS TO FINANCE**

##### **Business payment practices**

##### ***Section 3: Companies: duty to publish report on payment practices***

110. This section provides a new power to enable the Secretary of State to require certain companies to publish information about their payment practices, policies and performance relating to business to business contracts.
111. Subsections (2) and (3) define the scope of the power in terms of the types of company and types of contract to which regulations made under it may apply. The scope extends to all Companies Act companies apart from micro-entities, small and medium-sized companies. As subsection (3) uses the Companies Act definitions of micro-entity, small company and medium-sized company, which do not include public companies within their scope, the reporting requirement can be applied to any public company, regardless of whether it meets Companies Act 2006 accounting thresholds. The duty to publish information on payment practices and policies can be applied to large Limited Liability Partnerships via secondary legislation, making use of powers available in the Limited Liability Partnerships Act 2000.
112. Subsection (2) also sets out the types of contract to which regulations made under the power may apply. The regulations will apply to contracts for goods, services or intangible assets where at least one of the parties is acting in the course of a business and where the contract is of a description prescribed in the regulations. The Government considers that it will be appropriate for some specific types of contract to be excluded from the scope of the reporting requirement, notably financial services contracts, and will consult further on the detail of this.
113. Subsection (4) sets out an indicative list of the specific matters on which regulations made under the power may require companies to report in respect of relevant contracts. The list given in the subsection is not definitive, enabling the detailed requirements that will be set out in the secondary legislation to be informed by further consultation.
114. Subsection (5) provides that the regulations may designate a specified person within a company who will be responsible for approval or signature of the information to be disclosed, for example a company director.
115. Subsection (6) provides that the regulations may require that companies make the reporting information available to certain people, such as a new supplier entering into a significant contract with the company.

*These notes refer to the Small Business, Enterprise and Employment  
Act 2015 (c.26) which received Royal Assent on 26 March 2015*

116. Subsection (7) sets out a power to create an enforcement regime for compliance with the reporting requirement. In line with Companies Act reporting provisions, subsection (7) creates a power for the imposition of a criminal sanction. For these purposes the sanction is limited to a fine on summary conviction.
117. Subsection (8) requires the Secretary of State to undertake further consultation before the regulations are made. Subsection (9) requires the power to be exercised by regulations to be made by affirmative resolution, so that a draft of the regulations must be approved by both Houses of Parliament before the regulations can be made.