

Commonwealth Government Payment Times Reporting Framework Consultation

ANZ Banking Group (ANZ) - Submission 27/02/19

1. What is the preferred scope of reporting; in particular, should reporting be limited to payment practices for small business? If so, how should small business be defined?

The question about the scope of the scheme is whether large organisations should report only on their payment practices towards small suppliers, or if they should report on their treatment of all suppliers. Reporting just for small suppliers might give small businesses clearer information about what to expect in dealing with a big business; however, it may be harder for large businesses to report if their current system doesn't differentiate between small, medium and large suppliers.

The review is also interested in the best and simplest way to define a small business, e.g. by turnover, employee numbers or by using a proxy like an expenditure threshold for contract size.

ANZ notes that the Australian Banking Association, the Australian Financial Complaints Authority, ASIC, APRA, ABS, ATO, RBA, ACCC, and FWA adopt different definitions of small business and would be concerned about a new regulatory standard definition for the purpose of a supplier code.

As a signatory to the BCA Supplier Payment Code, ANZ chose the definition of small business related to annual level of expenditure with ANZ, as there is no easily available public means of identifying a small business. ANZ did not want to pass the administrative burden of registering with ANZ as a small business to its suppliers. In terms of segmenting suppliers, this requires ongoing monitoring and review. However, it incurs less of an administrative burden on both the small business and Code signatory than the ongoing evaluation of turnover or employee number.

This definition of small business can mean that a supplier can be considered as a small business by one company but not by another. However, in the absence of a public database of "small businesses" this appears to be the most equitable definition. It also captures many "large" businesses who have a small level of spend with ANZ.

2. Who should be obligated to report under the framework? What reporting approach for related entities is going to be most useful for small business?

The framework will require large businesses with an annual turnover of more than \$100 million to report. However, some large businesses are part of a group of related companies, e.g. Bunnings, Kmart and Officeworks are all subsidiaries of Wesfarmers. A second question for the framework is **whether related companies should report as a group, or individually** so small suppliers have more visibility into the specific company in the group they are dealing with.

ANZ would expect to report its obligations as one group as currently practiced under the BCA Supplier Payment Code.

3. What payment information should be reported under the framework? What information is going to be most useful for small business (e.g. standard terms, payment times)?

An important question for the framework is **what information should be reported**. The review wants to understand what small businesses would find most valuable to know about large business payment practices, e.g. their standard terms, including payment times or whether they are an end of month or net payer, and / or their performance (e.g. what is their average time to pay).

Standard payment terms to all suppliers of ANZ is 30 days based on the receipt date of a correctly rendered invoice. ANZ has not previously differentiated between suppliers for the application of payment terms but rather have applied a uniform approach in rendering payment. ANZ currently reports on its obligations under the BCA Supplier Payment Code and would expect a similar reporting regime to exist under the Framework.

ANZ would welcome simple reporting requirements for both ANZ and the suppliers.

There is also an inherent responsibility on small businesses to ensure that they follow correct process to get their invoices paid on time. This may well require some suppliers to change their behaviours in submitting invoices and as with any change, this can take time to embed. A transition period on implementation would seem a sensible idea.

4. How should information be reported? In what situations will small business access the information?

The review also wants to understand **how information should be reported and published**. For example, should large businesses report every year or half yearly? Should information be published on a central register that small businesses can search, or on individual large business' website? Will small businesses use this information to confirm a large business' terms before deciding whether to do business with them, or in the event of a dispute?

ANZ favours a centralised model of reporting (based on the UK Payment Practices and Performance Reporting scheme and the Australian Modern Slavery Act (2018)) via a central portal maintained by a government agency. This reduces the administration on Australian businesses both on implementation and ongoing with any changes required. It also provides all the required information in one place for small businesses to review.

ANZ favours half-yearly reporting in line with the UK Payment reporting. Our expectation is that the reporting periods would follow our company financial year, as this would be in line with our other reporting processes and not incur additional complexity or requirements.

Whilst the UK scheme provides a one-month reporting window following the end of the reporting period, ANZ favours a two month reporting window which allows for senior management review and sign off. This period could also lead to greater accuracy in reporting given the complexity required in producing the required reporting.

5. How should the framework be administered? What is the preferred balance between regulatory certainty (through legislation and administrator powers) and flexibility (through standards and self-regulation)?

The review is also interested in **how the framework should be administered**, including whether it would be easier for small and large businesses if a single agency managed the whole framework (including the reporting, publication of the register, and accepting complaints), or if these roles are better split between more specialised agencies with whom businesses are already familiar.

There is a need to ensure that administrative requirements of the code do not add to the administrative overhead and complexity for both small businesses and those reporting under the Framework

In common with other externally reported matters, ANZ's reporting is subject to both the scrutiny of internal and external audit. A further level of assurance/ enforcement power by government is not desirable nor best use of resource

The introduction of implications for non-compliance could lead to a lack of transparency in reporting which could undermine the spirit and the letter of the Framework

6. Should government agencies be subject to the framework and / or comparable obligations?

Finally, the review wants to know if it would be easier for small businesses if **government agencies were subject to the same framework and / or comparable obligations**. Commonwealth Government agencies are already required to pay invoices for contracts under \$1 million within 30 days (soon to be 20 days), and to report on their performance. This information is recorded in an annual report rather than a register.

ANZ notes that the government is a significant purchaser of goods and services in Australia. It has made itself subject to reporting under the Modern Slavery Act (2018) setting an example to the private sector. The Indigenous Procurement Policy (IPP) has also had a significant impact on public sector procurement practices.

The spirit and intent of the Commonwealth Government Payment Times Reporting Framework is to maximise the number of organisations paying small businesses in a timely manner.