

Procurement Policy Note – Taking account of a bidder’s approach to payment in the procurement of major contracts

Action Note PPN 07/20 OCTOBER 2020

Issue

1. The Government understands the importance of prompt, fair and effective payment in all businesses. Being paid promptly for work done ensures businesses have a healthy cash flow. This Procurement Policy Note (PPN) sets out how payment approaches can be taken into account in the procurement of major Government contracts. This PPN updates and replaces PPN 04/19 from 1 April 2021.

Dissemination and Scope

2. This PPN applies to all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies. These organisations are referred to in this PPN as ‘In-Scope Organisations’. Please circulate this PPN within your organisation, drawing it to the attention of those with a commercial and procurement role.
3. In-Scope Organisations should take action to apply this PPN when procuring goods and/or services and/or works with an anticipated contract value above £5 million per annum¹ (excluding VAT) which are subject to the Public Contracts Regulations 2015 save where, in exceptional circumstances, it would not be relevant or proportionate to do so.
4. This PPN applies to framework agreements and dynamic purchasing systems only where it is anticipated that the individual value of any contract to be awarded under the framework agreement or dynamic purchasing system is greater than £5 million per annum (excluding VAT).

Timing

¹ Based on advertised contract value, averaged over the life of the contract, e.g. a contract with a 4 year term with a total contract value of £21m would be in scope, even if the value in the first year was under £5m.

5. In-Scope Organisations must apply the provisions of this PPN in relevant procurements advertised on or after 1 April 2021. In-Scope Organisations should continue to apply PPN 04/19 to all relevant procurements before that date.

Action

6. Where this PPN applies, In-Scope Organisations must use the questions as sub-questions within section 6.2 of the standard selection questionnaire.
7. In-Scope Organisations should continue to use PAS91 for works contracts (including the procurement of goods and services needed in relation to the works). In-Scope organisations should incorporate these as a project specific question within PAS91.

Selection Questions and Guidance

8. The accompanying guidance explains how to include an assessment of a bidder's payment systems to demonstrate it has a reliable supply chain and when it would be appropriate to exclude those bidders that cannot demonstrate they have effective systems in place. It also gives examples of exceptional circumstances where it might not be relevant or proportionate to apply this PPN.

Background

9. In its 2017 Manifesto, the Government stated that it would 'use our buying power to ensure that big contractors comply with the Prompt Payment Code both on government contracts and in their work with others'. This PPN reflects that commitment in the context of the UK's procurement rules.
10. PPN 07/20 replaces PPN 04/19. The key update to PPN 04/19 is the increase to the threshold bidders have to meet to demonstrate they have effective payment systems in place to ensure the reliability of their supply chains.

Contact

11. Enquiries about this PPN should be directed to the Crown Commercial Service Helpdesk on 0345 410 2222 or info@crowncommercial.gov.uk.