**Paying undisputed invoices in 30 days**

**Supplementary Q&A for public sector buyers**

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*References to “you” in this document refers to public sector buyers (contracting authorities) particularly those administering the payment of invoices.*

1. *Verification of invoices:*

**Q. How long do I have to confirm an invoice as valid and undisputed?**

1. The Public Contracts Regulations 2015 (PCRs) place a requirement on you (public sector buyers) to include in contracts provisions requiring invoices to be verified in a timely manner. In accordance with the PCRs, undue delay is not sufficient justification for failing to regard an invoice as valid and undisputed. Therefore, you should make every effort to verify a relevant invoice without undue delay.

Statutory guidance published by the Cabinet Office, which you must have regard to[[1]](#footnote-1), suggests you should take no more than 7 calendar days from receipt (i.e. received at the designated payment address) to confirm invoices as valid and undisputed. The statutory guidance also suggests (as a model contract term) that in the event of an undue delay (i.e. not confirming an invoice as valid and undisputed within the suggested 7 calendar days), the invoice shall be regarded as valid and undisputed. The statutory guidance is available [here](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/427237/4278-15_Prompt_Payment_Lord_Young_Guidance_v2c__1_.pdf)

**Q. Is there a definition of a compliant invoice (or correctly presented one)?**

1. You should only pay **valid** **and** **undisputed** invoices sent to the **designated payment address** (including an email address or e-invoicing mechanisms. PPN 11/15 provides further guidance on e-invoicing and can be found [here](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437471/PPN_e-invoicing.pdf)). You are responsible for making sure that your own suppliers (first tier suppliers/prime contractors) understand the correct invoicing procedures that determine whether an invoice is valid and undisputed.

Further information on details required in invoices can be found [here](https://www.gov.uk/invoicing-and-taking-payment-from-customers/invoices-what-they-must-include). Details on the information required where a VAT invoice is issued (depending on the type of VAT invoice used: full invoice, simplified invoice, modified invoice) can be found [here](https://www.gov.uk/vat-record-keeping/vat-invoices).

**Q. When should an invoice be legitimately put on hold?**

1. An invalid invoice is one which fails to contain all the information requested and/or is not submitted to the correct payment address (electronic or postal). You are responsible for making sure your suppliers are aware of the designated payment address and correct invoicing procedures. Good practice would be for you to include a term and condition within the contract outlining payment procedures - including a designated payment address (electronic options are recommended).

The absence of a Purchase Order (PO) or unique invoice number, an incorrect amount or VAT payable, or issues with the quantity or quality of the goods or service delivered (this could include failure of suppliers to meet targets/agreements set in performance related or outcome based contracts) are usual causes of a dispute. Failure of the contract manager (or appropriate approver) to receipt/promptly receipt an amount due for payment will not be seen as sufficient justification for failing to regard the invoice as valid and undisputed. If you adopt more lengthy invoice clearance procedures, or handle large volumes of invoices, then that needs to be accommodated within the 7 calendar days statutory guideline.

**Q. What happens when an invoice is in dispute (incorrectly rendered)?**

1. Every effort should be made to resolve all invoice related disputes quickly. Where you dispute an invoice, the supplier should be immediately notified of the dispute (having regard to the 7 calendar days statutory guideline) and of the reason why a dispute has been raised. Good practice is to encourage electronic invoicing to enable quick turnaround and notification with suppliers where disputes are raised.

**Q. If an invoice is disputed what does this mean for the 30 calendar day period?**

1. You should pay the supplier no later than the end of a period of 30 calendar days from the date on which the relevant invoice is regarded as valid and undisputed[[2]](#footnote-2). For the avoidance of doubt, the 30 day period will not start until such a time that you regard an invoice as valid and undisputed. Where an invoice is regarded as not valid and in dispute, you should notify the supplier immediately and in any event within 7 calendar days of receipt (i.e. received at the designated payment address). This ensures that payment is not unduly delayed.
2. *Payment of undisputed invoices:*

**Q. When does the 30 calendar day period start?**

1. The 30 day calendar period starts as soon as the invoice is confirmed as valid and undisputed by the designated public sector buyer. The assumption is that verification  will be done by the designated payment team/paying office. Once you have made the payment, the payment period (“the clock”) stops. You should make payments in accordance with the circumstances stated in the contract, and also bearing in mind the payment mechanism you are using (for example BACs).

1. *Invoices paid late & statutory interest:*

**Q. What happens if a valid and undisputed invoice is at risk of being paid late?**

1. You should pay undisputed and valid invoices within 30 days and put in practice mechanisms for identifying invoices at risk of being paid late.Good practice would be for you to record the date the invoice is received at the designated payment address (electronic or postal), the date you confirm the relevant invoice is valid and undisputed and, the date the payment is made to the supplier.

When valid and undisputed invoices are not paid within 30 days (or any earlier date agreed as the payment term), interest becomes payable under the Late Payment of Commercial Debts (Interest) Act 1998. Suppliers can claim statutory interest - this is not paid automatically - on any valid and undisputed invoices not paid within 30 days (or any earlier date agreed as the payment term).

**Q. When can statutory interest be claimed on invoices that are paid late?**

1. Invoices that are paid late carry statutory interest from the due date for payment. Where there is no payment date, then statutory interest runs from the last day of the 30 calendar day period (or the last day of any earlier date agreed as the payment term). That 30 calendar day period begins the day after the invoice is regarded as valid and undisputed.

You should have regard to the 7 calendar day guideline to verify invoices as valid and undisputed.

**Q. Where can I find more guidance?**

**A.** Guidance on the late payment directive can be found [here](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360834/bis-14-1116-a-users-guide-to-the-recast-late-payment-directive.pdf)

**Q. How do I calculate statutory interest?**

1. An online tool on GOV.UK is available and can be accessed [here](https://www.gov.uk/late-commercial-payments-interest-debt-recovery/charging-interest-commercial-debt)

**Q.  What is the interest rate that should be used by suppliers if they are claiming statutory interest?**

1. The rate of interest will be 8% plus the Bank of England's base rate (information on the Bank of England base rates can be found [here](http://www.bankofengland.co.uk/boeapps/iadb/repo.asp)). You are not allowed to fix a lower interest rate.

**Q.** **Is the interest payable on the net amount of the invoice only?**

1. Interest is payable on the gross amount of the debt (including any element of VAT). VAT should not be added to the interest amount.

**Q. How do Tier 1 suppliers make claims for statutory interest?**

1. Suppliers should send a separate invoice where an interest claim is being made. Best practice would be for you to define this approach in the contractual terms and conditions. You should ensure that suppliers do not add VAT to the interest amount.

**Q. Is there a deadline to deal with a statutory interest claim?**

1. There is no statutory deadline to deal with interest claims. However, since interest accrues on the debt (i.e. an invoice not paid within the 30 calendar day period or any earlier date agreed as the payment term) on a daily basis (until payment of the invoice is made) best practice would be for you to deal with the claim as quickly as possible.

**Q. How do central government departments identify interest payments for the purposes of the Online System for Central Accounting and Reporting (OSCAR)?**

1. OSCAR accounts to map interest payments on overdue invoices are as follows:

* Debit Postings: OSCAR Acc. 52241000 (EXP - Purchase of Goods/Services – Other)
* Credit Posting: OSCAR Acc. 26179000 (CL – Other Payables)

1. *Publication requirements:*

**Q. What are the policy requirements in central government for publishing payment performance?**

1. PPN 05/15 provides further information on publication and can be accessed [here](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/418724/PPN_05-15_Prompt_Payment_Policy_and_Reporting_of_Performance.pdf). This applies **only** to central government departments their Executive Agencies and Non Departmental Public Bodies. Publication only relates to invoices issued under a public sector contract. For the avoidance of doubt, transactions between government departments or payments such as grants do not fall within the scope of PPN 05/15.

**Q. What are the statutory requirements for all public sector buyers for publishing payment performance?**

1. The statutory guidance (see [here](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/427237/4278-15_Prompt_Payment_Lord_Young_Guidance_v2c__1_.pdf) - particularly section 4 for publication requirements) and PPN 03/16 (which restates the statutory publication requirements - see [here](https://www.gov.uk/government/publications/procurement-policy-note-0316-publication-of-payment-performance-statistics)) provides further information. Publication only relates to invoices issued under a public sector contract. For the avoidance of doubt, transactions between government departments or payments such as grants do not fall within the scope of the statutory guidance.

**Q. Should debt recovery costs relating to late payments also be published as part of the statutory requirements?**

1. The statutory publication requirement helps to ensure transparency and demonstrates your compliance with the obligation to pay invoices within 30 days to first tier suppliers/prime contractors. Only the (i) percentage of invoices paid within 30 days and (ii) total amount of interest paid to suppliers (after March 2016) and in addition the total amount of liability to pay interest (after March 2017) need to be included in the publication - debt recovery costs do not need to be published.

*5.    Monitoring compliance:*

**Q. What happens if requirements of the new Public Contract Regulations aren’t being followed?**

**A.**     The government’s Mystery Shopper scheme investigates concerns raised about public procurement and instances of poor payment across public sector contracts. Following investigations the service makes recommendations and publishes its findings on GOV.UK.

Mystery Shopper also proactively undertakes spot checks to ensure compliance with the payment reforms in the Public Contracts Regulations, i.e. that 30 day payment terms flow down a public sector supply chain and payment performance is being published

1. Regulation 113(4) of the PCRs places an obligation on public sector buyers to have regard to the statutory guidance. [↑](#footnote-ref-1)
2. Regulation 113(2), provides that the maximum 30 calendar day limit runs from the date the relevant invoice is regarded as valid and undisputed. [↑](#footnote-ref-2)