

This document was withdrawn on 19th December 2017.

This document is out of date.

Please see the current Guidance on Contracting Purchasing and Finance (CP&F):
<https://www.gov.uk/government/publications/mod-contracting-purchasing-and-finance-e-procurement-system/contracting-purchasing-and-finance-cpf-tool#cpf-from-a-suppliers-perspective>



MINISTRY OF DEFENCE

Contract Payment Guide

**This document was withdrawn on 19th December 2017.
 This document is out of date. Please see the current
<https://www.gov.uk/government/publications/mod-contracting-purchasing-and-finance-e-procurement-system/contracting-purchasing-and-finance-cpf-tool#cpf-from-a-suppliers-perspective>**

Contract	Payment	Guide: Contents
MESSAGE FROM 		THE HEAD OF DBS
FINANCE.....		4
INTRODUCTION.....		5
CONTRACT PAYMENT PROCESS		5
Obtaining the correct forms:		5
Completion of the invoice form:		5
Receipting/Certifying of invoices:		6
Entering the correct pricing details:		6
Sending your invoices to DBS Finance:		6
PAYMENT TIMESCALE		7
PAYMENT METHODS		7
Bankers' Automated Clearing Services (BACS):		7
Payable Order:.....		7
Foreign Currency or Sterling outside the UK:		7
ADDITIONAL INVOICING INFORMATION		8
Making Supplementary Claims:.....		8
Overpayments:.....		8
Emergency Procedures:.....		8
Changing your company name, address or legal title:		8
Construction Industry Taxation Scheme:.....		8
GUIDANCE ON FORMS FOR CONTRACT INVOICING		9
MOD Form 640:		9
FORM AG169 - Claim for Progress Payments:		10
FORM AG173 - Supplier's Invoice:.....		10
FORM AG210 - Claim for Stage Payments:		10
ADAPTATION OF FORMS		10
OBTAINING FORMS		10

PURCHASE TO PAYMENT (P2P)..... 11

FREQUENTLY ASKED QUESTIONS..... 12

CONTACT POINT 13

YOUR COMMENTS 13

GLOSSARY OF TERMS 14



MESSAGE FROM THE HEAD OF DBS FINANCE

Defence Business Services (DBS) was formed in 2011, bringing together a diverse range of corporate services into one service delivery organisation, managed through one top management structure. Our mission is to:

“Deliver efficient and integrated corporate support services that enable business and individuals across Defence to operate effectively”.

In DBS Finance, we are committed to pay 80% of correctly presented supplier invoices within 5 working days of receipt, in support of the Government's drive to improve the payment culture in the United Kingdom. Quite a tall order, given that in the region of 5 million invoices can be processed by DBS Finance annually.

Help us to help you by reading this guide and acting on it - By doing this you will help ensure that payments are made without undue delays, and we can only succeed with your co-operation.

Please remember the importance of submitting invoices in accordance with the terms of the contract. Also, please provide DBS Finance with up-to-date bank details, and details of any changes, so we can pay promptly through Bankers' Automated Clearing Services (BACS). We also require up-to-date email address details, so we can supply you with a remittance advice detailing all payments. These actions will help ensure you receive payment notification the day after payment is authorised, with cleared funds in your account two days later. (See [Payment Timescales](#) and [Payment Methods](#))

I hope that you find this guide helpful. We know there is always room for improvement, so please let us know if you have any suggestions or comments which would help, we welcome any feedback in respect of improvements to the content.

Contact details can be found at the [back of this guide](#).

Thank you,

A handwritten signature in black ink, appearing to read "Sue Smith". The signature is fluid and cursive, with the first letter 'S' being particularly large and stylized.

Sue Smith
Head, DBS Finance

July 2012

INTRODUCTION

This guide is for MOD contract payments only, although it does not apply to goods and services covered by the electronic Purchase to Payment (P2P) purchasing arrangements. The P2P procedures for invoicing are notified to suppliers when they become 'P2P enabled'.

Occasionally the Ministry of Defence purchases low value goods or services on a one-off basis without the need for a formal contract. The payment of subsequent invoices for these goods or services is made through our Miscellaneous Invoicing System – Bills Direct. In such cases you should submit a commercial invoice to the MOD branch that placed the order, quoting a unique invoice reference number. The branch will then authorise DBS Finance to make a payment to you through our Miscellaneous Invoicing System, Bills Direct. All queries regarding payment must be directed through the branch concerned as they will have access to all the supporting papers. When submitting your invoice to the MOD Branch for payment it is advisable to obtain a contact name etc. in case you have any queries.

If you are in doubt over where the invoice is to be submitted, you should check with the MOD branch which issued the contract or order.

CONTRACT PAYMENT PROCESS

Obtaining the correct forms:

It remains MOD policy to use standard invoice forms for all contracts rather than to accept commercial invoices. This is regardless of value or volume of invoices. The forms are designed to provide DBS Finance and other divisions of MOD with comprehensive information. The invoicing system within DBS Finance is automated and designed for high speed processing to cater for extremely high volumes of invoices. For details of the correct invoice payment forms please refer to the DEFFORM 522A, which is in your contract documents.

The most frequently used forms are the MOD 640 (for the supply of goods) and the AG 173 (for the provision of a service). However there are other forms in use so you must check the DEFFORM 522A. (Where you can obtain copies of the forms is covered in this guide under Obtaining Forms)

Completion of the invoice form:

Areas which can affect prompt payment include:

- **Incorrect company title.** The title must match that in the contract documentation. Any differences will result in your invoice being returned. MOD contracts can not be transferred to another title without MOD's prior agreement.
- **Incorrect contract number or no contract number quoted.** Every contract let with the MOD will have been allocated a contract number, which is quoted on all contract documents. This must be quoted exactly as per the contract documents – any differences may cause difficulties in identifying the correct authority for payment and delays could ensue.
- **Supplier's Invoice reference field** – This field is for you to provide DBS Finance with a unique number that will enable you to cross reference the payment to your records and this must be completed. There can be a maximum of 10 characters alpha/numeric. This is a mandatory field; failure to complete with a unique invoice reference may result in delayed payments or you may have problems reconciling your payments with the Remittance Advice if you do not input a unique reference number meaningful to your company.
 - *Please Note:* Only use the characters available on a standard keyboard, the following "rogue" characters **must not** be used: £ \$ & ' [] { } é ÷ É ;
- **Description of goods /services** – You must only claim for items which have already been agreed in the contract or in a formal contract amendment /price letter. If an item has been

ordered but prices have not been formally accepted then you should not submit your claim until formal acceptance of prices has been received from the MOD Commercial Branch.

- **Commercial invoice submitted** rather than the MOD form quoted in the payment clause of the contract
- **Not receipt / certification by the consignee** on invoice Form or MOD F640 delivery note.
- **Claim submitted outside the timescales** for goods or services, as defined in the contract
- **Photocopy** F640/AG173 submitted
- **Facsimile signature** on original F640/AG173

Should we disallow or reduce your invoice we will always send you a letter (Form CX215) explaining why. In each case, the problem must be rectified before resubmitting your invoice for payment.

Receipting/Certifying of invoices:

The invoice must be submitted for receipt by the appropriate MOD branch as detailed in your contract. Every contract clearly states whether invoice forms must be RECEIPTED by the recipient of the goods /services known as the consignee, or CERTIFIED by another MOD representative known as the certifying officer. If in doubt, contact the MOD Commercial Branch that issued the contract. The consignee/certifying officer will receipt/sign off the invoice once they have received the goods or services and are content that they are in accordance with what has been demanded. Once signed and dated they will then return the completed form back to you.

Make sure you quote the full address to which the invoice form is to be returned. When you receive the invoice back, check that each individual invoice has been clearly signed, dated and endorsed with the branch stamp. Please remember this is an important step in the process as your invoice will not be paid without the correct receipt or certification.

Entering the correct pricing details:

The prices quoted must be those agreed in your contract or contract amendment/price letter. It will help DBS Finance in checking your claim if you quote the amendment number or the date of the price letter.

Sending your invoices to DBS Finance:

Invoices should be sent to DBS Finance under cover of form 'DAB 10'. (The DAB 10 form can be downloaded from the DBS Finance pages on www.mod.uk/DBSFinance:

<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/FinanceandProcurementPublications/FMSSC/FmssclInvoiceSummaryFormdab10.htm>

This form acts as a Summary Claim and control document to ensure the number and value of invoices received equates to the values stated on the front of the form. The DAB 10 also enables you to keep a record of invoices submitted to DBS Finance.

An additional advantage of the DAB 10 is that it serves as your tax invoice, preventing you being liable for output VAT while other invoice forms go through receipt, acceptance and authorization processes.

DAB 10s and receipted invoice forms are to be addressed as below. Please mark the envelope/package "Supplier's Invoice" in the top left-hand corner and your company name in the bottom right-hand corner as follows.

Supplier's Invoice

Ministry of Defence
DBS Finance
Walker House
Exchange Flags
LIVERPOOL L2 3YL

Suppliers' claims are accepted at Walker House between 0700-1900 hours Monday to Friday.

PAYMENT TIMESCALE

Our target is to pay 80% of correctly presented invoices within 5 working days after receipt by DBS Finance and all invoices within 11 calendar days. You must provide DBS Finance with your bank account details to enable payment to be made by BACS. Please do not hasten any outstanding payments before the 11 calendar day target has passed

You must provide DBS Finance with details of your nominated email address if you require a remittance advice, which will detail any payments being made to you. It is advised that a multi-user/shared email address is used; please email your request as an attachment using company letter headed paper, quoting your supplier code and nominated email address to:

DFM-FMSSC-BS-HELPshared@mod.uk

PAYMENT METHODS***Bankers' Automated Clearing Services (BACS):***

MOD expects all suppliers to provide their bank details to enable electronic payment. To download a nomination form, see **Nominate Bank Details** on www.mod.uk/DBSFinance:

<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/FinanceandProcurementPublications/FMSSC/SscNominateBankAccountDetails.htm>

For Sterling payments in the UK this is achieved through BACS. The BACS system works on a 3-day cycle.

- Day 1 - the day DBS Finance transmit the payment details to our bank
- Day 2 - a day for our bank to process the payment through to your bank
- Day 3 - the payment is transferred into your bank account.

Payable Order:

The only other payment method DBS Finance use is by Payable Order, the equivalent of a cheque. As well as being more inconvenient for the supplier than BACS, such payments present a greater risk of fraud or loss. Payment is also slower; as well as the postal delay, the payable order has to clear through the bank's clearance system before the money is available to you. For these reasons, Payable Orders are only used in exceptional circumstances.

Foreign Currency or Sterling outside the UK:

DBS Finance can make electronic foreign currency and international payments, when agreed in the contract, by wire transfer. Payments for the majority of European countries require the IBAN (International Bank Account Number) and the BIC code (Bank Identifier Code). IBANs always start with a two digit alpha country code (i.e. GB for Great Britain) and a combination of bank account number, sort code, branch code etc.

ADDITIONAL INVOICING INFORMATION

Making Supplementary Claims:

If you have previously under-claimed or if there has been an agreed price increase - On an AG173 form, mark "Supplementary" across the top in red ink. Cross-refer the details to the previous payment, include the previous invoice reference and quote the date and reference of any letter or contract amendment which authorised the extra payment. The supplementary AG173 does not need to be certified and can be submitted directly to DBS Finance.

Please note: if your additional invoice is for service provision for which you have not previously made a claim, certification by the consignee will be required to confirm the services were satisfactorily delivered before payment can be made.

Overpayments:

Occasionally overpayments are discovered after payment has been made. It is MOD policy to recover any money overpaid as quickly as possible. When an overpayment is discovered DBS Finance will recover the amount overpaid from our next payment to you. If we are unable to recover the money from your next payment we will ask you to refund the sum due immediately.

Whichever method of recovery is chosen you will be provided in writing (letter CX 318) with full details of the overpayment.

Emergency Procedures:

In an emergency situation where DBS Finance is unable to process under its' normal procedures, (e.g. a postal strike), interim procedures will be communicated via the notice board on our website, and by press announcements.

Changing your company name, address or legal title:

If you change either the name, address or email address of your company, you must inform DBS Finance immediately in writing. For all company title changes you must also inform:

Ministry of Defence
DES Commercial CS-CNS Support Team
Maple 2B #2233
Abbey Wood South
Bristol BS34 8JH

Tel: 0117 9132833
Fax: 0117 9132934

Construction Industry Taxation Scheme:

If your contract includes construction work, you should already have provided the MOD Commercial Branch with your verification details i.e. Verification Number, Unique Tax Reference Number, Date of Verification and National Insurance Number (if you are a sole trader). These details will be passed to DBS Finance by the Commercial Branch so that we can make the required monthly return to HMR&C.

- If you have been verified by HMR&C with a status of MATCHED NET, 20% of the labour element of your invoice will be deducted and forwarded to HMR&C.
- If you have been verified by HMR&C with a status of GROSS, the full amount of your claim will be paid to you.
- If you have not been verified by HMR&C a deduction of 30% of the labour element of your invoice will be made and forwarded to HMR&C.

A monthly statement will be sent to you showing the total of all payments made to you in the previous month.

Please note that if your company title changes and HMR&C have given you new verification details, you must immediately advise the relevant MOD Commercial Branch.

In relation to invoices for goods/services paid via the Miscellaneous Invoicing System Bills Direct, the MOD Branch for which you have carried out the work will require your verification details. The same rules apply in that the relevant deductions will be made, or you will be paid the full amount of your claim depending on your verification status.

GUIDANCE ON FORMS FOR CONTRACT INVOICING

MOD Form 640:

This form is the most commonly used of all the invoicing forms. It has five separate parts, each denoted by a different colour and each with its own particular role in the delivery/payment cycle as follows:

COLOUR	TITLE	PURPOSE/ACTION
Brown	Payment Copy	Provides proof of delivery and the details of your claim. You should ensure that it is receipted and fully completed before submitting this copy to DBS Finance for payment under cover of a Form DAB 10
Red	Packing copy	This must accompany the stores
Yellow	Supplier's Copy	You should retain for your own records
Green	Advice copy	You should send this to the consignee as advice of the consignment
Mauve	Information copy	If this copy is required, dispatch instructions will be contained in the contract.

If you lose the brown copy of the MOD Form 640 you may apply to DBS Finance for a substitute. Before requesting a replacement F640, and to ensure that the original form is not just delayed in the post, suppliers must check with the consignee to gain confirmation that the original has either not been received or has been receipted but subsequently lost in transit.

Please note: DBS Finance will not commence action to replace the lost Form 640 until 30 days after it was sent out for receipt following delivery of the goods to the consignee. The date of despatch of the Form 640 for receipt must always be annotated on the suppliers yellow copy of the Form 640.

MOD depots and delivery points are committed to undertake receipting action and in the past raising substitute forms early has led to dual submissions of both the original and the substitute copy of the Form 640, increasing the risk of duplicate payments being made.

If the endorsed brown copy of the MOD Form 640 is confirmed as lost, you may apply for a substitute by writing to DBS Finance and enclosing a photocopy of the Yellow copy of the form. DBS Finance will then dispatch a Form 639 (replacement F640) to the consignee for endorsement.

Please do not request a 639 until at least 30 days after sending the original Form 640 for receipt.

We will advise you within 10-working days of the request to raise a substitute Form 640 that this action has been taken, **please do not query your submission during this time**. The Date Goods Dispatched field on the yellow copy of the MOD Form 640 should be completed in every instance.

As well as by writing to us to request a 639, the supplier can send an e-mail to the Contact Point attaching a copy of the yellow or they can fax their request to us.

When the consignee has endorsed the MOD Form 639 it will be returned to you for submission to DBS Finance for payment, under cover of form DAB 10.

If the consignee of the goods is overseas (including HMS Ships Afloat) then please follow the instructions on the reverse of the yellow copy 640. This will ensure prompt payment of claims.

FORM AG169 - Claim for Progress Payments:

This only applies to contracts with a DEFCON 35 clause. Progress payments relate to a supplier's actual expenditure and you will therefore be required to certify the form.

FORM AG173 - Supplier's Invoice:

This form is mainly used where a service (rather than stores) has been provided. Your contract will specify whether you should use this form. If you need a replacement AG173 raise a new form and clearly mark "Replacement" on it in red. The new form must be stamped and signed again by the consignee to confirm that the service has been received.

FORM AG210 - Claim for Stage Payments:

This form is used where payments are linked to the achievement of stages or milestones. Before claiming payment, you must ensure that your claim is certified by the authority named in the contract to verify that the stage/milestone has been achieved. If you need a replacement AG210 raise a new form and clearly mark "Replacement" on it in red. The new form must be stamped and signed again by the consignee to confirm that the service has been received.

ADAPTATION OF FORMS

Suppliers may prefer to use forms which are in a format tailored to their own office machinery. DBS Finance is willing to accommodate such adaptations provided the forms are compatible with our own systems. **Only approved adaptations may be used** – Using unauthorised forms could result in payment delays. To speed up the application process, a written submission needs to be provided detailing the proposed adaptation, ideally accompanied by a draft copy of the form. Submissions should be e-mailed or sent to the addresses below:

DBS Finance AMI1-2,
2nd Floor, Zone C,
Walker House,
Exchange Flags,
LIVERPOOL L2 3YL

E-mail: DFM-FMSSC-BS-HELPshared@mod.uk

OBTAINING FORMS

Your contract with MOD explains what forms you should use when submitting your claim for payment. If you need further clarification, you should check with the relevant commercial branch. The key invoice payment forms can be downloaded DBS Finance pages on www.mod.uk/DBSFinance:

<http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/FinanceandProcurementPublications/FMSSC/DownloadingFmssclnvoicingForms.htm>

Many of the forms are double-sided documents. If you do not have the facility to print double-sided, you must ensure that any such forms downloaded from the website are reproduced as a single back-to back-document, before completion and onward submission to the relevant certifying officer within MOD. Claims involving double-sided forms, which are submitted for payment as two separate sheets **will not be considered valid** and may be returned unpaid.

Supplies of **MOD FORM 640** can be obtained from:

Forms & Publications Section

DSDA Operations Centre,
Building 16, Site C,
Lower Arcott
BICESTER OX25 1LP

Tel: 01869 256052

Fax: 01869 256824

E-mail: desdsda-formsandpubs@mod.uk

PURCHASE TO PAYMENT (P2P)

There is currently a drive within MOD to migrate in the region of 80% of MOD's Contract Purchasing onto the P2P system by the end of 2012. P2P is an efficient process where by Commercial Branches/Contracting Authorities can raise an order electronically, which in turn enables the quick submission of Suppliers invoices using either EXOSTAR or EDI.

The process enables the supplier to submit invoices electronically to DBS Finance thus removing the need for paper forms and speeding up the payment process.

DBS Finance is committed to achieving this target and actively encourages Suppliers to submit invoices electronically via P2P process.

Assistance is available for connectivity via Commercial Teams and Suppliers can seek information from their MOD Commercial Manager, from the DECS d2btrade Website: www.d2btrade.com or from the P2P Website <http://www.p2p.dii.r.mil.uk/eproc/p2p/> .

FREQUENTLY ASKED QUESTIONS

Q) Have you received my invoices?

- A) We offer an automated email notification service. We will email your nominated address to confirm receipt of your invoices, and advise the expected date of payment into your account, subject to checking. If you wish to take advantage of this service, please quote the appropriate email address on your DAB10 summary form when you submit your invoices for payment.

Q) When can I expect payment?

- A) We aim to pay 80% of correctly presented invoices within 5 working days and all invoices within 11 calendar days. To help maintain this standard of performance, please do not contact DBS Finance with queries regarding payment during this period, as we will only advise patience.

Q) Has my payment been delayed in the post?

- A) DBS Finance regrets that suppliers who opt for payments by post may on occasion experience delays beyond our control. To avoid delays, suppliers should change their payment method to electronic bank transfer (BACS).

Q) Can I have another copy of our Remittance Advice with a breakdown of payments made?

- A) An electronic Remittance Advice is be emailed to the address you nominated in your organisation; if you require further copies, we would expect you to arrange this internally with your nominated recipient. To nominate an email address for automatic Remittance Advice delivery (We would recommend a multi-user/shared email address) please email your request as an attachment using company letter headed paper, and quoting your supplier code, and relevant email address to:

DFM-FMSSC-BS-HELPshared@mod.uk

Q) I do not understand the payment reference on your Remittance Advice - can you explain?

- A) We will quote your reference number as stated on your invoicing forms. To help identify payments, please use a reference meaningful to you. DBS Finance requires you to complete this field. A common problem occurs when the invoice reference field is left blank.

Q) The Remittance Advice states that money has been debited from the payments I expected. Why?

- A) Any debit amounts will show an Overpayment or credit bill reference. A separate notification will have been sent to you quoting this reference to advise why money is being recovered from monies due to you. This could be due to a pricing adjustment, recovery of a previous overpayment or set-off of an overdue MOD invoice. MOD regards debt as being due from the registered company, not from individual sites within that company. Any accounting adjustments should be arranged internally within your company.

CONTACT POINT

Postal address: Defence Business Services Finance
Contact Point,
2nd Floor, Zone C,
Walker House,
Exchange Flags,
LIVERPOOL L2 3YL

Website : www.mod.uk/DBSFinance

E-mail : DFM-FMSSC-BS-HELPshared@mod.uk

Phone no : +44 (0) 151 242 2000

YOUR COMMENTS

Customer feed back is an essential part of our business development process and we would be grateful for your comments. You may submit these via e-mail or in writing to the above Contact Point.

GLOSSARY OF TERMS

ITEM	EXPLANATION
COMMERCIAL BRANCH (CB)/CONTRACTING AUTHORITY IPT	Staff who prepare and issue the contract documents and amendments. It is their job to settle prices and to agree contract terms. They send a copy of the contract to the Invoice Paying Branch stipulated in the contract. These procedures only cover those contracts where Liverpool is the nominated invoice paying authority.
CONSIGNEE	The MOD unit or establishment to which you have dispatched your goods. The consignee's main role in the invoice payment process is to provide evidence of the receipt of stores. N.B. This receipt is the basis of your claim for payment.
CONSIGNOR	Your Company
DAB 10 REFERENCE	A unique reference provided by you on each Form DAB 10 for identification purposes.
INVOICE PAYING AUTHORITY	Staff responsible for making payment in accordance with the terms of a MOD contract. They check that the goods have been ordered, that there is evidence of delivery/performance and that the prices or interim payments are claimed as stated in the contract.
INVOICE REFERENCE	A unique reference provided by you (e.g. your invoice reference) to assist in identifying each invoice form. The reference will appear on the Remittance Advice sent out by DBS Finance to support your payments
MOD STOCK REFERENCE	A reference provided in the contract if applicable.
ORDER/WARRANT NUMBER	A reference used on an order/warrant raised against enabling arrangements.
P2P	MOD's electronic purchasing tool. It enables electronic ordering, receipting and invoicing.
PKG CODE	Packing code: a reference provided in the contract if applicable.
SUPPLIER CODE	A five-digit code assigned by DBS Finance to each supplier for identification purposes.
SUPPLIER'S INVOICE REFERENCE	See "Invoice Reference" above.
SUPPLIER'S NAME AND ADDRESS CODE	A code comprising the five-digit supplier code (see above) and a two-digit code also assigned by DBS Finance to identify a particular payment address.
TECHNICAL (OR PROJECT) AUTHORITY	Staff responsible for financially authorising all work before it is put to contract and for monitoring the contract. One of the key roles is to countersign claims for interim payments, if specified in the contract.