Payment - Interim Payments and Contract Payment Administration

Constraints

1. All Ministry of Defence (MOD) contracts must comply with the Late Payment of Commercial Debts (Interest) Act 1998 that was introduced to help promote a culture of prompt payment by providing the ability for contractors to claim statutory interest on late bills.

Authoritative Guidance Summary

2. The preferred practice is to make payment only after goods or services have been delivered and accepted or work otherwise completed in accordance with the contract.

3. A payment made before goods or services have been delivered or where work in accordance with the contract is in progress, is deemed an interim payment. It is for a contractor to seek interim payments rather than for MOD to volunteer them. Interim payments will not normally be appropriate where a financing burden of less than £250K (two hundred and fifty thousand pounds sterling) is anticipated and / or a duration of one year or less.

4. Interim payments made will reflect, and fall after planned expenditure by the contractor; be related to verifiable achievement; and include an appropriate retention for the final payment. Interim payments should always be made as 'advances against the contract price'.

5. The preferred forms of interim payment are Stage (or Milestone) payments and payments against Earned Value.

6. Plan de Charge Payments are related to a profile expenditure and should only be used in exceptional circumstances and mainly in connection with international collaborative projects.

7. Progress Payments related to a contractor's certified actual expenditure should be used exceptionally only in contracts where it is not possible to pre-determine the precise outcome and hence not possible to pre-determine an associated value (e.g. Concept or Assessment phases). DEFCON 35 (Progress Payments) should be applied.

8. Advance Payments (as distinct from 'advances against the contract price') are payments made in advance of work to be done, or delivery of goods. It is not MOD's general policy to make such payments.

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

9. A request made by a contractor after price agreement, for MOD to make any form of interim payments, should be regarded as irregular and in most cases should be rejected.

10. Model Interim Payment conditions for use in firm, fixed, Target Cost Incentive Fee (TCIF) (or, exceptionally, provisionally priced) contracts are provided under Authoritative Guidance.

11. Interim payments are in principle recoverable under a contract on which the contractor defaults or MOD terminates otherwise than in accordance with DEFCON 656 (Break). The appropriateness of MOD claiming back interim payments will be determined by the particular circumstances that give rise to the possibility of such recovery. A number of possible scenarios arising from the More Effective Contracting (MEC) initiative are examined in the Authoritative Guidance below.

12. Interim payments should not be withheld for flimsy or non-material reasons. Any decision to withhold payment must be justified on the grounds that the key events not discharged have a detrimental effect on satisfactory progress.

13. DEFCON 649 (Vesting) must be included in any contract that provides for interim payments.

14. The administrative arrangements for payment to contractors (whether interim or otherwise) should reflect the following authoritative guidance:

a. MOD must ensure payments are kept within the annual budget voted by Parliament but MOD must still honour its payment obligations.

b. Normally each contract should have ONE nominated Payment Authority, the Financial Management Shared Service Centre (FMSSC). Authorised exceptions are detailed under Authoritative Guidance.

c. The payment arrangements and their interface with delivery and acceptance should be agreed as part of the procurement strategy and clearly set out in the contract. Any unusual payment mechanisms must be agreed with FMSSC (e.g. payment in different currencies, payment by magnetic media, self-to-self deliveries).

d. DEFCONs 522 (Payment), 522J (Payment Under P2P) and 534 (Prompt Payment (Sub Contractors)), as appropriate, must be included in all contracts to ensure compliance with the requirements of the Late Payment of Commercial Debts (Interest) Act. If MOD fails to make payment within the prescribed 30 calendar day period following delivery of goods or services or 'notification of the debt' whichever is later, MOD is liable to pay the rate of interest specified in DEFCONs 522 and 522J and under the Act.

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

e. All MOD staff / representatives involved in the receipting and payment process must fulfil their roles efficiently and effectively. They must also record key dates and retain the information for a minimum of 6 years.

f. DEFCON 693 (Government Procurement Card) must be utilised instead of DEFCONs 522 and 522J where the Government Procurement Card (GPC) is the only payment mechanism available for a contract. Where the GPC is used with other payment mechanisms it is essential that the contract identifies, by contract line item, which payment mechanism is to apply.

g. The detailed procedures to follow in processing claims from contractors for interest for late payment under the Late Payment of Commercial Debts (Interest) Act is provided under Authoritative Guidance. Such claims must be processed quickly and contractors informed immediately of any relevant deficiencies in their claims.

Authoritative Guidance

Strategy Considerations

15. In line with Government Accounting regulations, it is MOD policy to meet its payment obligations promptly within agreed contract terms. MOD must ensure payments are kept within the annual budget voted by Parliament. However, if MOD has an obligation to pay for goods, services or other expenditure within a given period and it is unable to meet its commitments to accommodate payments within the annual budget, it must still honour the payment obligations.

16. MOD contracts require performance before payment is made. Payment does not become due until the goods or services have been delivered to MOD in accordance with the requirements of the contract. MOD must ensure its liability to pay has matured in accordance with the terms and conditions of the contract to which it relates, and that the necessary validation checks have been carried out before payment is made. A payment is deemed to have matured if MOD has received goods or the benefit of a service for which a valid invoice has been received.

17. Contractors are responsible for financing the contracts they undertake. For non-competitive contracts, the cost of borrowing is covered through the mechanism of the Government Profit Formula. For competitive contracts, the market place decides what, if any, recovery the contractor wishes to make in his price.

18. The preferred practice is not to make interim payments but to make payment only after goods have been delivered and accepted or work

otherwise completed in accordance with the contract. However, it may be appropriate for MOD to make interim payments during the course of its more lengthy and costly contracts to provide a degree of relief against the burden of financing the contract. It is for a contractor to seek interim payments rather than for MOD to volunteer them. Where this facility is sought, MOD will expect to be shown that:

a. any interim payments made will reflect, and fall after planned expenditure by the contractor;

b. be related to verifiable achievement; and

c. include an appropriate retention for the final payment (i.e. for DEFCON 653 (Pricing on Ascertained Costs) ascertained cost pricing arrangements a relatively high level of retention (say 20%); and for those where the contractor is at some financial risk (i.e. a No Acceptable Price No Contract (NAPNOC) arrangement) a somewhat lower percentage).

19. What is important is the scale and duration of the financing burden faced by the contractor - not only in relation to the contract in question but also to his needs for working capital generally, whether on other MOD work or that for other customers.

20. Interim payments will not normally be appropriate where deliveries are to be made at intervals that enable the contractor to keep his unremunerated expenditure to less than £250K (two hundred and fifty thousand pounds sterling) where such an amount is outstanding for less than 12 (twelve) months. But contracts of higher value and / or longer duration do not automatically merit consideration for interim payments.

21. Separate contractual provisions are to be made for the payment for contracted goods or services delivered, abated to recover the value of interim payments made. In many service contracts, interim payments are inappropriate and payment should normally be made in full on delivery. It is important that the proper distinction is made between interim payments and periodical payments (which are payments for a service satisfactorily rendered or goods received - and useful in their own right).

Types of Interim Payments

22. The preferred form of interim payment is one based on verifiable achievement reflecting planned expenditure (i.e. Stage (or Milestone) payments, and payments against Earned Value).

Stage (or Milestone) Payments

23. These payments are made in pre-determined instalments of the contract price at pre-determined stages or milestones in the programme. Anchor Milestones are key to measuring project performance and can be linked to milestone payments where appropriate. Attached at Annex A is an example stage or milestone payment plan. The milestone payment plan details MODs obligation to make payments upon the satisfactory delivery of a contract milestone by the Contractor. The Contractors obligation to deliver the milestone on or by a specific date should be separately detailed in the Delivery Schedule as failure to do so may impact the MODs ability to utilise the provisions of DEFCON 614 (Default) should this be required.

24. The stage or milestone in the programme must be adequately defined. Achievement must be measurable against specific completion or Maturity Readiness Level criteria defined in the contract and their approximate cost estimated in advance. They must show clearly demonstrable progress towards the ultimate objective of the contract and should not be based on work commenced or time elapsed; nor should a stage be accepted which entails no significant direct expenditure by the contractor (such as 'placing of all subcontract orders').

25. The general principle is that the cumulative level of the stage or milestone payments should bear a reasonable relationship to the total price and the amount of work carried out in relation to the total task.

26. The contractor will normally be required to prepare detailed expenditure profiles and proposals to support a request for a stage or milestone payment scheme. The aim should be to have no more than four payments per year during the course of the contract to allow a reasonable cash flow to the contractor. The negotiation of more frequent payment regimes must take into account the availability of other mechanisms in the contract to track progress (e.g. Earned Value Management (EVM)) and / or be informed by other demonstrable value for money benefits.

27. Stage or milestone plans are sequential (i.e. dependent on the successful completion of all earlier milestones). The cessation of all interim payments if stages or milestones are not achieved should be a significant feature of any arrangement.

28. It is recognised however that in major programmes the critical path or the sequence of programme events can change for good reason, while still maintaining the overall contract timescale. In a minority of cases, there may grounds for making discretionary part-payment against a stage or milestone where one or more events remain to be completed. Or where, although progress has been satisfactory, MOD is reviewing whether to continue with the programme.

29. Chevron schemes are designed to ensure that progress is made across a broad band of tasks as well as those critical path items that are traditionally chosen as stage or milestone payments - to demonstrate 'sustained progress'. All tasks are defined in cash values and are timed for completion. Both critical and non critical tasks are combined to form a structured stage or milestone payments. Naturally not all tasks are included in the scheme. A stage or milestone payment will be related to tasks on the critical path and other nominated mandatory tasks. A milestone is achieved when the total required value of tasks has been completed.

Earned Value Management (EVM)

30. Payment by stage or milestone provides only a limited degree of control and sometimes attention can be focussed on achievement of the stage or milestone to the detriment of other parts of the programme. EVM focuses attention across the whole programme and provides both the customer and the contractor alike with a measure of work accomplished against a schedule and cost performance metrics.

31. EVM can be used as a method for payment against progress of work but it is more effective when combined with a stage or milestone payment plan. The use of 'pure' Earned Value payments (i.e. 100% payment by Earned Value) is not recommended.

32. Earned Value Payments are based on the contractor completing work packages within the Work Breakdown Structure (WBS). It is important to determine an appropriate balance of stage or milestone payments against Earned Value payments. The milestone payment regime must reflect the critical path and the physical completion of the project. Earned Value payments can be as low as 10% but should not exceed 70% of the total value of interim payments in any given period. Payments are usually made monthly. Further guidance to Commercial Officers on EVM is in the EVM CPS.

Plan de Charge Payments

33. These payments are related to a profile expenditure and should only be used in exceptional circumstances and mainly in connection with international collaborative projects where it is necessary to reflect the practices of the other nations. Payments are related to a profile of expenditure (i.e. estimated disbursements) agreed in advance which is in turn based on and clearly related to a work plan.

Progress Payments

34. Progress payments are interim payments that are related to a contractor's certified actual expenditure. Their use should be confined to those contracts where exceptionally it is not possible to pre-determine the

precise outcome of a programme of work and hence not possible to pre-determine an associated value. This could be the case in the early stages of Concept or Assessment of a project, where the emphasis is on obtaining the maximum value from the budget in order to minimise the risk in subsequent contract commitments and where cost reimbursement arrangements may be inappropriate.

35. Where, provision for progress payments is to be made then this should be in the form of DEFCON 35 (Progress Payments). The contract must specify:

a. The rate of payment under clause 1 of DEFCON 35 (i.e. the percentage of certified actual costs payable).

b. The total amount payable under clause 1.b) of DEFCON 35.

c. The percentage rate of overheads under clause 2.c) of DEFCON 35 (if the actual overhead rate is not given its method of promulgation should be specified).

d. The rate of recovery of progress payments from final payments under clause 7 of DEFCON 35.

36. DEFCON 35 provides for monthly progress payments against certified costs. No variation of this periodicity should be agreed unless value for money can be demonstrated and the alternative period has been discussed with the bill paying authority and any special action required identified as practicable.

37. It is important that a significant percentage of the final contract price is withheld to encourage the early submission of Cost Certificates that are a necessary prerequisite for final pricing of cost reimbursement work. It may be appropriate to release some of the retention on receipt of the Cost Certificate, depending on level of expenditure, past performance, likely timescale for final resolution, etc. However, an element (to be decided on a case-by-case basis) should be retained until the Cost Certificate has not only been received, but also verified. This also applies where progress payments are allowed as an interim measure pending the agreement of a stage payment plan and/or firm price, to encourage the early agreement of these arrangements.

Advance Payments

38. Advance Payments, or payments on account, are defined in Joint Service Publication (JSP) 462 (Financial Management Policy Manual). They are payments made in advance of work to be done or delivery of goods. It is not MOD's general policy to make Advance Payments. In exceptional circumstances, where Advance Payments are conceded, they must be made

the subject of a bank guarantee of due performance in the form of DEFFORM 24A (Bond Given By A Bank As A Deed In Respect Of A Single Contract). Advance Payments are distinct from 'advances against the contract price' which is the description to be applied to all interim payments (see para 44).

Invitation To Tender

39. Interim Payment arrangements must be considered as an integral part of the contract agreement (i.e. with full visibility of all other terms including duration, delivery, expenditure planning, Variation of Price (VOP), Liquidated Damages etc.). It follows that a request to include any form of interim payments after price agreement should be regarded as irregular and in most cases should be rejected. The granting of such requests should be exceptional and by way of consideration either interest will be charged on the payments, or the contract price reduced (see the Interest Payable To and By MOD topic for further guidance)

40. The contract should provide for checks on the contractor's performance and certification by an appropriate technical authority that the progress of work is in accord with the work plan on which the expenditure is based (e.g. through EVM), and that progress will result in the achievement of an Anchor Milestone.

41. In competition, where interim payment arrangements are considered appropriate, the level and pattern of financing acceptable to MOD should be specified in the Notices and Instructions to Tenderers when tenders are sought. Tenders will then be evaluated on a common basis; tenderers may also be invited to submit alternative tenders based on other financing terms, including payment following delivery only.

42. Under Target Cost Incentive Fee (TCIF) contracts the interim payment arrangements should:

a. initially be related to the target price (i.e. target cost plus target fee); and

b. since the outturn can be within a broad band of the originally anticipated outcome, provision should be made to allow adjustments to be made to the value of the interim payments when there is confidence about the likely outturn. Care should be taken not to align payment to the outturn if the outturn is likely to exceed the Target Price. It is important to distinguish between poor performance and inaccurate estimate.

43. Attached at Annex B and Annex C are model Interim Payment conditions for use in appropriate contracts. Annex B relates to contracts containing firm or fixed prices and Annex C to contracts priced on a TCIF basis. In the case of contracts including DEFCON 92 (Failure of

Source: Commercial Toolkit
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Performance), clauses 4 and 5 of the model condition at Annex B and Clauses 5 and 6 of Annex C are inappropriate and should be omitted from any stage or milestone payment arrangements.

Recovery of Interim Payments

44. Interim payments should always be made as 'advances against the contract price'. The contract should make clear that interim payments are discretionary. In the event of default for the delivery of goods, they should also be capable of recovery. The risk of default in service delivery contracts should be mitigated by appropriate payment mechanisms geared directly to the amount of benefit received. Interim payments may also be recovered where the MOD terminates otherwise than in accordance with DEFCON 656 (Break).

45. The appropriateness of MOD recovering interim payments will be determined by the particular circumstances that give rise to the possibility of such recovery. The impact of a staged approach to contractual commitment encompassed by the More Effective Contracting initiative, principally through more clearly defined exit / entry points, is particularly pertinent when considering the recovery of interim payments. A number of possible scenarios are outlined in table 1 below.

Table 1: Possible Scenarios

Contract Scenario	Suggested Treatment Of Interim Payment
At a defined exit / entry point there is an unsuccessful demonstration against defined technology / risk / integration maturity levels. The failure is **not** deemed to be due to contractor default.	Interim payments continue until a way forward is decided.
At a defined exit / entry point there is an unsuccessful demonstration against defined technology, risk or integration maturity levels. The failure **is deemed to be because of poor performance by the contractor.** At this point a contractual review and rectification process has not been completed.	Further interim payments withheld until a way forward is decided.
Following a contractual review and rectification process at a defined exit / entry point, the MOD and contractor reach a 'no fault' joint decision that the programme has failed to demonstrate the entry requirements for the next phase and should not continue.	The MOD us unlikely to pursue recovery of any interim payments made up to the exit decision and may consider payment of any reasonable costs.

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

Table 1: Possible Scenarios (Cont'd)

Contract Scenario	Suggested Treatment Of Interim Payment
Following completion of a contractual review and rectification process at a defined exit / entry point, the programme has failed to demonstrate the entry requirements for the next phase. The failure is deemed to be primarily due to poor contractor performance.	The MOD is likely to pursue recovery of all interim payments made since the successful completion of the previous Anchor.
Contractor is in default (DEFCON 614).	The MOD will retain the ability to pursue recovery of all interim payments made under the contract, plus compensation if appropriate.
MOD breaks the contract (DEFCON 656).	The MOD will not seek to recover interim payments and may be liable to pay compensation.
Termination due to the failure of the contractor to comply with the requirements of DEFCON 68 (Supply of Hazardous Articles and Substances).	The MOD may pursue recovery of some or all interim payments.

DEFCON 649 (Vesting)

46. DEFCON 649 (Vesting) must be included in any contract that provides for interim payments. The rights of ownership vested in MOD through this DEFCON can be exercised in the event that the contractor goes into liquidation, administration or receivership.

Contract Amendments

47. It is advisable to provide for changes to the payment plan associated with changes to the work content in a contract. The agreement of payment plan changes should be an integral part of the amendment negotiation process and should be undertaken only with full consultation between commercial, project management and finance officers within acquisition

teams. Change control procedures in the contract should specifically address the MOD's requirements for information from the contractor in support of any changes proposed including a modified financial profile and an updated payment plan.

Contract Payment - Administration

Requests for Interim Payments

48. Interim payments should not be withheld for flimsy or non-material reasons. The provisions of clauses 2.d. and 2.e. of Annexes B and C respectively should be invoked where, on the information available, the balance of probabilities causes MOD to conclude that a satisfactory contract outcome is unlikely. The notice to be given under clause 3 should be provided following the receipt of a contractors claim for payment. The notice should state all the facts from which MOD's conclusion is drawn, and the reasoning used to arrive at the conclusion. Any decision to withhold payment must be justified on the grounds that the key events not discharged have a detrimental effect on satisfactory progress. Any disputes between members of the acquisition team on this account should be referred up the functional chain for resolution.

Methods of Interim Payment

Table 2: Methods of Interim Payment

Type Of Interim Payment	Appropriate Forms
Stage Or Milestone And Earned Value Management	AG Form 210 direct to Bill Paying Authority
Progress Payment	AG Form 169 and DAB Form 10 direct to Bill Paying Authority
Plan de Charge	Contact policy sponsor*
Advance	Contract policy sponsor*

* via the Commercial Policy Help Desk.

49. MOD Form 640 (Advice and Inspection Note) should not be used for interim payment requests; their use should be confined to final delivery of the goods. Final claims for completion of services should be made on a certified AG Form 173.

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

Overpayments

50. Any over or under payment should be addressed against the outstanding payment stage or milestone payments. The same principle applies to Earned Value payments. The contractor should be asked to submit 'no cost' payment claims for work packages until the balance of the payment due has been fully abated. Where the outstanding stage or milestone payments are inadequate the acquisition team should arrange a refund of the overpayment either through a negotiated reduction in the final milestone payment, or through formal recovery procedures.

51. If it is found that substantial overpayment has inadvertently been made over a long period and there is no contractual provision for charging of interest in such circumstances, any settlement should seek to take account of the interest value of the sums held by the contractor.

Contract Payment Arrangements

52. Normally each contract should have ONE nominated Payment Authority. It is MOD policy that all contract bills are paid by the Financial Management Shared Service Centre (FMSSC). This satisfies the Accounting Officer's responsibilities in respect of regularity and propriety of expenditure and ensures the necessary levels of verification and authorisation controls to meet the requirements of Government Accounting. The only exceptions to this rule are:

a. contracts placed on behalf of Other Government Departments (OGDs), non-Exchequer bodies and other MOD Executive and Trading Fund agencies; and

b. Enabling Contracts that may include demanders from outside MOD (e.g. another Government Department or Agency).

53. Contracts which include payment arrangements with a nominated Payment Authority other than or in addition to FMSSC are not permissible without prior approval. If the contract has **two** bill paying authorities then **the potential for duplicate payments is increased**, therefore such contracts can only be used in **exceptional circumstances**. Approval must be sought in writing from FMSSC, and also seek advice from the policy sponsor if required, via the Commercial Policy Help Desk, prior to any arrangements being agreed for MOD bills to be paid by any organisation other than FMSSC, detailing the reasons why exemption from MOD policy is sought.

54. Such contracts / orders should specify the relevant non-MOD organisation as the Payment Authority for its own deliveries, with FMSSC as the Payment Authority for MOD deliveries. (Provided that non-MOD demanders pay their own bills, no non-MOD expenses should be charged.)

55. The payment arrangements for each contract should be agreed as part of the procurement strategy and specified in the contract terms and conditions. It is the key incentive on the contractor to perform effectively. Payment against calendar time or a contractor's expenditure profile is not acceptable. Payment on delivery is the preferred method of payment for goods and services following satisfactory delivery or performance against specified contract acceptance criteria. In this context, if a contract provides for delivery by a specific date, MOD is obliged to pay for deliveries made before that date, providing the contractor has met his obligations under the contract. If a contract provides for delivery on a specific date, MOD is entitled to refuse to accept the delivery and to pay until the date specified.

56. In the case of high value and / or long-running contracts payment on delivery following satisfactory delivery or performance may not be feasible and an interim payment scheme, based on Milestone achievement, will then be necessary.

57. Payment arrangements should be clearly set out in full within the contract document with roles and responsibilities clearly defined. In addition, where unusual payment arrangements are necessary to suit the particular circumstances of a contract, FMSSC as the MOD Payment Authority must be consulted and the agreed arrangements confirmed in writing. Failure to reach agreement with FMSSC may lead to delays in payment. For example:

58. Delivery may sometimes be necessary on a self-to-self basis where MOD requires them to be held by the contractor for incorporation into other goods, or delivery to another contractor. In this situation the contractor may obtain payment in the normal manner but he would sign the claim form as consignee of the goods.

59. Some contracts may require FMSSC to make foreign currency payments direct to overseas contractors. Such bills submitted by overseas contractors without UK banking facilities will be paid either by cheque or by electronic transfer of funds. FMSSC will require the relevant bank details and there may be time implications that will impact upon the proposed contractual payment arrangements.

60. FMSSC is able to accept various forms of magnetic media from contractors as an alternative to the paper-based billing. This facility is known as Automatic Bill Validation System (ABVS) and should be encouraged for high volume billing. However, the use of ABVS requires agreement with FMSSC before tender documents are issued.

61. There is also a facility for same day payment - CHAPS. CHAPS is for Sterling payments and should only be used in emergencies. CHAPS requires a high level of manual intervention, thus increasing the potential for error. It also has time and cost implications. FMSSC must be consulted in any case where an emergency payment under this system is required.

Non-Contract Bills

62. In addition to the payment of contract bills, FMSSC also processes non-contract, or miscellaneous bills. Examples of such payments are the £1 payment made under DEFCON 618 (Enabling Contracts – Standing Offer) to create a legally enforceable obligation on the tenderer to keep the offer open for the duration of an Enabling Contract and the £1 (one pound sterling) payment necessary to make Nominal Cost Contracts legally binding. Both payments must be made using the Bills Direct system, including for Enabling Contracts (or equivalent) administered using the Purchase to Payment (P2P system. Acquisition teams wishing to use this system for any other reason must apply to FMSSC Payments.

63. The miscellaneous billing system must not be used for the payment of normal contract bills and should not be used as a substitute for placing contracts, where appropriate, with fully defined terms and conditions.

The Late Payment of Commercial Debts (Interest) Act 1998

64. The Late Payment of Commercial Debts (Interest) Act 1998 was introduced to help promote a culture of prompt payment by providing the ability for contractors to claim statutory interest on late bills. The Act came into force on 1 November 1998 and has significant implications for the payment arrangements on all MOD contracts including contracts with foreign contractors let under United Kingdom (UK) law.

65. Notwithstanding its title, the Act does not define 'commercial debt', it uses the phrase 'qualifying debt' which is defined as:

> 'A debt created by virtue of an obligation under a contract to which this Act applies to pay the whole or any part of the contract price is a 'qualifying debt' for the purposes of this Act...'

66. For MOD purposes, this relates to the full contract price or the part of the price the contractor is entitled to under MOD contracts.

67. If relevant contractual terms exist, they will take precedence, provided they are not deemed to be void and / or unreasonable, within the scope of the Act. MOD general conditions (DEFCONs 522 (Payment) and 522J (Payment Under P2P)) provide such a remedy for those MOD Contracts in which they are included. Any business or public sector body is entitled to go to court and challenge terms and conditions that do not provide a substantial remedy for late payment and commercial officers should take this into account if drafting bespoke payment conditions. A 'small' business could pursue a claim through the Small Claims Court. In this context it should be noted that with the exception of Small and Medium Sized Enterprises (SMEs -

defined in broad terms as a business with fewer than 250 employees) only parties to a contract can challenge contractual terms under this entitlement. SMEs are provided with the right to have appropriate organisations to act on their behalf.

68. Where contractual terms either do not exist, or are held by a court to be void and / or unreasonable within the scope of the Act, the Act provides 'default' provisions. These default provisions allow:

a. a period of 30 (thirty) calendar days before payment is due, calculated from the day on which the contractor performs his obligations under the contract to which the debt relates (e.g. delivery of goods or services); or

b. 30 (thirty) calendar days from the 'notification of a debt' (e.g. a telephone call and / or a fax), whichever is the later.

69. The 30 (thirty) calendar day period applies even where the debt is for an 'unascertained' amount (e.g. where the contract price has not been agreed). In this instance, the 30 (thirty) calendar days runs from the date the contractor notifies MOD of the amount he is claiming. In MOD the incidence of debts being unascertained should be minimal, because provisional prices will have been 'fixed' to allow delivery to take place.

70. The Act applies to purchases made under Low Value Contracts (valued between £5,000 (five thousand pounds sterling) and £250,000 (two hundred and fifty pounds sterling)) and Low Value Purchases (valued up to £5,000 (five thousand pounds sterling)) comprising use of the Government Procurement Card or paper based Low Value Purchase Orders.

71. Claims for payment through the miscellaneous billing procedure, i.e. non-contract purchases, are subject to the Act and must be paid promptly within the 30 (thirty) day calendar period.

72. Under the Late Payment Act, interim payments are likely to be interpreted as payments for 'part performance' of the contract. The Act makes late payment of such sums liable to interest.

73. The provisions of the Act will also apply where, for instance, the UK is acting as the contracting agency for collaborative programmes. To avoid potential embarrassment with other nations or partners, the bill paying arrangements will need to be clearly stated in the contract and any liabilities of other nations or partners regarding responsibility for delayed payment clearly exposed. There may be some need for bespoke terms in such agreements and where this is necessary advice should be taken from the policy sponsor via the Commercial Policy Help Desk, or legal advisor.

74. MOD commercial officers also place contracts on behalf of a number of OGDs, non-Exchequer bodies and other MOD Executive and Trading Fund agencies. These contracts are placed in the name of the Secretary of State for Defence but in 'Government Accounting' terms they are agency arrangements, as the charges do not fall to the Defence Account. MOD has a responsibility to advise such bodies of the importance of the provisions of the Late Payment of Commercial Debt (Interest) Act in relation to prompt payment and the 'model' letter at Annex E should be used for this purpose. This same letter should be utilised in the case of Enabling Contracts to remind non-MOD demanders of the implications of the Act.

75. The Act was implemented in stages, therefore interest on late payment can only be claimed by a qualifying contractor. Table 3 below provides a brief summary of the dates from which contractors qualified under the Act.

Table 3: Summary of Claims Dates

Date from which a claim under the Act can apply	**Qualifying Contractor**
From 1 November 1998	Small businesses (i.e. a business with 50 (fifty) or fewer employees as opposed to an SME with fewer than 250 (two hundred and fifty)) can claim interest from large businesses and the public sector in relation to contracts for the supply of goods or services made on or after that date
From 1 November 2000	In addition to the above, small businesses can claim interest from other small businesses in relation to contracts for the supply of goods or services made on or after that date
From 7 August 2002	All businesses, irrespective of size, and public sector bodies can claim interest in relation to contracts for the supply of goods or services made on or after that date

76. A contractor has 6 (six) years in England, Wales and Northern Ireland and 5 (five) years in Scotland in which to make a claim.

77. While the requirements of the Act are not retrospective contracts that came into existence before the Act or during the period that the various phases were implemented may be affected. For example, a tasking contract may be in place with a small business as at 1 November 1998. If a task is added to that contract after 1 November 1998, the provisions of the Act will apply to that and all subsequent tasks. The same principle also applies to other contracts where new items or services are added or options are

exercised. Late payment in respect of those items or services will be subject to the provisions of the Act.

78. In addition to the 30-day legislative requirement the whole of Government is committed to speeding up the payments process, paying suppliers wherever possible within 10 days. However, the Government departments now have an additional stretch target to pay 80% of undisputed invoices within 5 days of receipt. In support of this initiative the MOD signed up to the wider Government Prompt Payment Code in March 2009. Although performance against the 5-day target is measured from the point a correctly presented invoice is received by the Bill Paying Authority, the benefit to suppliers of MOD achieving this target will be lost unless the front-end of the bill authorisation process also operates in a highly efficient manner. So whilst the contractual and legislative requirement remains at 30 calendar days it is important that all MOD staff dealing with suppliers' invoices are aware and committed to the general thrust of Government policy towards prompt payment and act accordingly. Further detail about the 5-day prompt payment initiative is at Annex G.

Unsolicited Goods and Services

79. Occasionally, staff may receive unsolicited goods and / or invoices from contractors. The current UK legislation (excepting Northern Ireland) relating to unsolicited goods and services comprises the Unsolicited Goods and Services Acts 1971 and 1975 and regulations enacted under those Acts.

80. The purpose of the Acts is basically to provide protection for people receiving unsolicited goods or services (i.e. goods or services not requested by the recipient) and also for people who are charged for entries in directories. Section 2 of the 1971 Act makes it an offence for a person, in the course of any trade or business, to make a demand for payment, or assert a present or prospective right to payment, for what they know are unsolicited goods sent to any person. Since this provision states that the demand for payment must be in respect of unsolicited goods, it appears that merely sending an unsolicited invoice by itself would not constitute an offence under the Act. The Acts also contain detailed provision concerning the rights of a recipient of unsolicited goods, the rights of a recipient of demand or threats regarding payment for those goods as well as details of the provisions to be complied with when charging for entries in directories.

81. If unsolicited goods and / or invoices are received, staff should check to ensure that the goods or services have not been ordered under the provisions of a contract with the company concerned, and if they are satisfied that this is correct, make the necessary arrangements for the unsolicited goods to be returned to, or collected by, the company at no cost to MOD. Any unsolicited bills either accompanying such goods or sent in isolation should be returned with the goods to the sender advising that the goods were neither ordered nor required, or discarded as appropriate. To act as a

deterrent against any further similar occurrences, the sender's attention should also be drawn to the fact that it is an offence to send unsolicited goods under Section 2 of the Unsolicited Goods and Services Act.

Invitation To Tender

82. All payments should be made using the mechanism specified in the contract. A summary of the main paper-based forms and their application is provided at Annex D. For contracts held on the Defence Electronic Commerce Service (DECS - an enabling platform for hosting a variety of e-commerce and business services), payment may be arranged through Purchase to Payment (P2P) which enables an order, receipt and invoice to be matched on-line, generating an electronic message authorising FMSSC to process the payment. Where appropriate contracts for low value, low risk items may provide for payment through the GPC.

Acceptance, Delivery and Payment

83. The acceptance and delivery requirements of the contract should be those appropriate to the nature of the goods and services being procured and their interface with the payment arrangements should be clearly and unambiguously stated in the contract.

84. For commercial off-the-shelf (COTS) items where reliance is placed upon the General Law (e.g. Sale of Goods Act) for the resolution of any subsequent quality issues appertaining to the delivered product or service, the consignee should only be required to verify delivery. Where MOD Form 640 (Advice and Inspection Note) is used, this is effected by the receipting of the Brown Copy and returning it to the contractor. This process does not (and should not) involve the consignee in any 'qualitative' examination (testing etc.) of what has been delivered.

85. Where goods and services are being supplied to bespoke MOD design requirements, the contractor is normally required to perform agreed acceptance tests to a satisfactory standard before contractual 'delivery' (in accordance with clause 4 of DEFCON 507 (Delivery)) takes place. It may be that, pending the satisfactory completion of such tests, a stage / milestone payment is made (using AG Form 210) and final payment is then made (using MOD Form 640 (F640)) when the item has been 'delivered' to the consignee and he has verified that what has been delivered is related to a valid contract or order. Where such acceptance tests are to be conducted by MOD, using facilities that may be uniquely available to MOD it is important to ensure that:

a. It is very clear that contractual delivery, and entitlement to a signed F640, does not occur until satisfactory completion of the on-receipt-acceptance process.

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

b. MOD facilitation of on-receipt-acceptance testing is essential to enable the contractor to demonstrate satisfactory performance of his contractual obligations.

c. Consideration is given to an appropriately structured stage / milestone payment plan, such that the final payment due following satisfactory performance of the on-receipt-acceptance test is proportionate to the confidence established by earlier stages.

DEFCONs 522 and 522J- Payment

86. DEFCON 522 (Payment) or DEFCON 522J (Payment Under P2P) replace narrative payment conditions and should be included as appropriate in all contracts, except paper based Low Value Purchase Orders (refer to JSP 332 – Low Value Purchasing Manual for further details). These DEFCONs address MOD payment terms and their rigorous application should ensure MOD compliance with the requirements of the Late Payment of Commercial Debts (Interest) Act 1998.

87. Under DEFCON 522, the contractor is entitled to payment 30 (thirty) calendar days after the later of;

a. The day upon which the Relevant Form (Payment Claim Form e.g. MOD Form 640, AG173, etc) is received by the Authority; or

b. The date of completion or performance of the part of the Contract to which the Relevant Form relates.

88. Under DEFCON 522J, the Contractor is entitled to payment 30 (thirty) calendar days after the later of:

a. The day upon which a valid delivery label (DEFFORM 129J (The Use Of The Electronic Business Delivery Form)) is received by the Authority; or

b. The date of completion or performance of the part of the Contract to which the delivery label (DEFFORM 129J) relates.

89. Where MOD arranges for the collection of the goods (e.g. ex-works contracts or overseas contracts, where goods are to be collected from the port of entry), clause 6 of DEFCON 522 / 522J incorporates a period of up to 5 (five) days for the Transport Authority to collect the goods. It should be noted that in the context of the Late Payment Act this does not extend the payment period by 5 (five) days.

90. Where delivery is to be 'ex-works', a copy of the contract must be sent to the relevant Transport Authority notified in Box 10 of DEFFORM 111 (Appendix). If this does not happen, valuable time is wasted while the

relevant Transport Authority tries to establish that there is a requirement for them to collect goods from the contractor under an ex-works contract and this will eat into the period of up to 5 (five) days included in Clause 6 of DEFCON 522 / 522J. For all deliveries, it is equally important for the consignee details to be clearly stated in DEFFORM 111 (Box 9).

91. There may be rare occasions where a longer period than 5 (five) days is required to collect the goods. The policy sponsor and legal advisor must be consulted via the Commercial Policy Help Desk, before DEFCON 522 / 522J is amended to cover this possibility.

92. Further details of how the 30 (thirty) day calendar period is determined can be found at Annex F.

DEFCON 534 - Prompt Payment (Sub-Contracts)

93. DEFCON 534 (Prompt Payment (Sub Contractors)) must be included in all contracts. It requires the contractor to make provision to pay his subcontractors or suppliers within a specified period not exceeding 30 calendar days from receipt of a valid invoice.

DEFCON 693 - Government Procurement Card

94. DEFCON 693 (Government Procurement Card) should be utilised instead of DEFCON 522 (Payment) and DEFCON 522J (Payment Under P2P) where the GPC is the only payment mechanism available for a contract. Where the GPC is used alongside with other payment mechanisms it is essential that the contract identifies, by contract line item, which payment mechanism is to apply.

95. When DEFCON 693 applies the following statement should be included in the Special Notes and Instructions to Tenderers in the Invitation To Tender (ITT):

> 'It is the Authority's intention to make payment by the GPC, a VISA badged card, provided to the Authority by Company Barclaycard. Accordingly the successful Tenderer must be capable of processing VISA transactions. In these circumstances, payment to the successful Tenderer will be made by his nominated VISA Merchant Acquiring Bank (VMAB) within the timescales agreed between the Tenderer and his VMAB, normally no longer than 4 (four) days. The Authority will require the successful Tenderer to provide Level 3 Line Item Detail Capability for all transactions. The Authority anticipates that even with the merchant service levy applied by the VMAB, the use of the GPC will greatly simplify trading, reduce administrative costs and shorten the time from dispatch to payment. Accordingly the Authority expects the Tenderer to reflect the reduced administrative costs and earlier payment in its pricing response.'

DEFCON 523 - Payment of Bills Using the Bankers Automated Clearing Service (BACS) System

96. To be included in all contracts as it requires that the contractor to supply banking details to FMSSC to facilitate the payment of bills by the preferred method of payment, BACS. MOD regards the date of the BACS instruction as the payment date, but the BACS processing normally takes up to 3 (three) days before the contractor has access to these funds.

97. Since it has been found that contractors do not always address this issue, Commercial Staff are requested to insert the following reminder within contract acceptance / award letters:

> "Payment of Bills
>
> In accordance with DEFCON 523 payment will be made by Bankers Automated Clearing Services (BACS) directly into the contractor's nominated account. If your company has not already provided details to the FMSSC, may I request that a Form BX177, which is available from the FMSSC website, be completed and forward to the Financial Management Shared Service Centre. Please note that in accordance with DEFCON 518 payments must not be assigned to a third party."

The form must be completed on line but the contractor **MUST** fax / post a hard copy to FMSSC (address is included on the form) as the form has to have a signature(s) on it.

Contract Administration

Roles and Responsibilities

98. The contractor is responsible for completing 'the Relevant Form' referenced in DEFCONs 522 (Payment) and 522J (Payment Under P2P) and submitting bills for payment of work satisfactorily performed in accordance with the terms and conditions of contract. VAT is also the contractor's responsibility and in the event of a query the contractor should consult the local VAT office.

99. Within either 30 (thirty) calendar days from the date the goods / services are delivered; or 30 calendar days from the date 'the Relevant Form' (a completed MOD Form 640, DEFFORM 129J, AG Form 173, AG Form 210 etc.) has been delivered to the appropriate MOD representative by the contractor, whichever is the later, a number of actions must be completed:

> a. The consignee or counter-signing officer, who should be clearly identified in the contract as the recipient of the goods or services required by the contract, must confirm satisfactory receipt of goods or

services by processing 'the Relevant Form' and returning it, suitably receipted, to the contractor. In the case of Works or Hybrid Contracts the same principles apply even though the consignee may be a private sector project manager appointed by MOD.

b. If performance against the contract has not been satisfactorily completed the consignee or counter-signing officer should notify the contractor in writing and return the contractor's invoice giving reasons why payment is to be withheld.

c. The contractor must forward 'the Relevant Form' to the correct bill Payment Authority.

d. Upon receipt, the bill Payment Authority must verify the details on 'the Relevant Form' and if they are in accordance with the requirements of the contract, make payment to the contractor. The Payment Authority has the right to reject claims that do not meet the contract requirements.

100. All MOD staff / representatives involved in the above chain of events have a responsibility to fulfil their roles efficiently and effectively. If MOD fails to make payment within the prescribed period it is liable to pay the rate of interest specified in DEFCONs 522 (Payment) and 522J (Payment Under P2P) and under the Act.

Record Keeping

101. It is mandatory for all acquisition team members involved in the receipting and payment process to record key dates. Acquisition teams should implement a system to record, as minimum, key dates within their control:

a. the date the bill was received by MOD;

b. the date the bill was authorised by MOD;

c. the date the bill was returned to the contractor; and

d. reasons for delay in the process where this has occurred.

102. Records relating to key dates in the receipting and payment process must be retained for 6 (six) years (or 5 (five) in Scotland).

103. Copies of claims submitted and claims settled should be retained on the contract file for a minimum of 6 (six) years.

Claims for Interest for Late Payment

104. Commercial officers are responsible for handling claims from contractors for interest for late payment. Such claims must be processed quickly and if, for any reason, a claim is insufficiently detailed for full consideration to be given, the contractor must be informed immediately of all relevant deficiencies.

105. To make a claim the contractor must write a letter setting out the circumstances of the late payment and claiming the requisite amount of interest. The Act allows the contractor 6 (six) years within which to bring a claim and he may elect to aggregate claims, especially if a pattern of late payment has developed.

106. The costs of any claims made will be funded by whoever raised the original Request for Contract Action (RCA) and be treated as 'fruitless payments'. The payment must be written off by the relevant financial authorities. When considering a claim, a number of points need to be validated:

a. Is there a valid contract?

b. Does the contractor's account of the key dates match those that should be available from:

- the Transport Authority (where delivery is 'ex-works', the date the contractor notified the Transport Authority of the availability of the goods for collection);
- consignees (the date the MOD Form 640 or DEFFORM 129J was received);
- acquisition team members, (where AG Form 210, AG Form 173, AG Form 169 etc. may have been used to authorise payment).

c. Does the contractor's account of dates match those held by the Payment Authority, FMSSC (i.e. date receipted by the consignee; date of the DAB 10 and date of payment)?

d. Is the claim valid (i.e. has the contractor rendered complete performance against the contract or the stage in the contract in the case of interim payments, are there any outstanding, unresolved contractual issues, associated with the claimed late payment)?

e. Has the contractor contributed in any way to the delayed payment (e.g. delaying the submission of authorised bill payment

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

documentation to FMSSC or failing to complete DEFFORM 129J accurately)?

f. Has the contractor correctly calculated the rate of interest?

Calculating Claim Amount

107. To work out the interest payable on a late payment, 8% should be added to the Bank of England 'reference rate' that covers the six month period in which the debt became late. At the start of a six month period the Official Dealing Rate of the Bank of England (the base rate) will be made a fixed 'reference rate' for the subsequent six months. This works as shown in table 4 below.

Table 4: Application of the Six Month Period

	The six month period
The Bank of England base rate on 31 December will be the 'reference rate' for	1 January - 30 June
The Bank of England base rate on 30 June will be the 'reference rate' for	1 July - 31 December

108. The current 'reference rate' to be used may be found by looking in the financial pages of the national press or by visiting the Bank of England website. The Bank of England website is by far the easiest method as the reference rate is on the front page marked "Current Bank Rate" - Note that the terms "Current Bank Rate", "Reference Rate", "Base Rate" and "Official Dealing Rate" are used interchangeably and in this context are all the same thing.

109. A worked example calculation is illustrated below:

If the 'reference rate' is 4% for the six month period when the debt became late, the statutory interest rate is 12%. If the debt is £1K (one thousand pounds sterling) and it is 30 (thirty) days late, the interest owed is:

Annual rate = £1K x 12% = £120

Daily rate = £120 / 365 = 32.9p

Interest owed at 30 days = 32.9 pence x 30 days = £9.86

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

110. VAT should not be added to the amount of interest because it is compensation for late payment and will not itself create a further liability for VAT. However, where the contractor can demonstrate that part of his claim for interest covers a VAT liability he has had to incur prior to (late) payment by MOD, then that element may be included in his claim (e.g. where he has incurred a liability to pay Customs and Excise or where he has incurred a VAT payment as part of payment to a subcontractor).

111. Interest stops running on a 'qualifying debt' once the amount owed plus interest has been paid (i.e. once payment is received but not yet cleared if relevant). If the purchaser only makes part payment, the amount received will go to reduce the interest payable first.

Compensation for Debt Recovery

112. Contractors are also able to claim compensation for debt recovery costs as well as to claim payment of interest. It is for the contractor to initiate a claim for compensation if he deems it appropriate. Unless the debtor is not responsible for the delay, the amount of compensation that may be claimed by a contractor is fixed and based on the sliding scale in table 5 below.

Table 5: Compensation Sliding Scale

Size of unpaid debt	To be paid to the creditor (ex VAT)
Debt less than 1K	£40
Debt of £1K to £9,999	£70
Debt of £10K or more	£100

Settling the Claim

113. The Commercial Officer must establish the amount of the late payment claim and inform FMSSC by letter:

a. the contract number;

b. the Local Project Code (LPC), if appropriate, VAT code and Resource Account Code (RAC) – TMA004 ;

c. the relevant UIN. For a multi UIN contract, use the one relevant to the late delivery; and

d. authorisation for FMSSC to make payment.

114. Commercial Officers must also complete and forward the following Forms together with the letter to FMSSC:

a. A newly constructed Form AG173 stating the amount of interest payable.

(1) Commercial officers must not submit the Contractor's original AG173 but construct a new AG173 using the calculation at paragraph 107.

(2) The AG173 must contain the word 'INTEREST' in the MOD Reference field and the Supplier's Invoice Reference field to enable FMSSC to identify and report statistics on such claims to the appropriate bodies;

b. DEFFORM 57A. Also instructing FMSSC to add TMA004 to the appropriate contract record;

c. FMSSC Form PC10 (Request for CHAPS Payment via FMSSC).

115. The above documentation should be faxed to FMSSC following a phone call to advise of the claim. In order to minimise the interest payment FMSSC will then authorise payment via CHAPS in accordance with DIN 2008DIN08-011. The original documentation must then be sent to FMSSC for audit purposes, making it clear that a faxed copy has already been sent to FMSSC to avoid duplicate payments being made.

Contract Amendments

116. The requirements of the Late Payment of Commercial Debt (Interest) Act 1998 are not retrospective but DEFCONs 522 (Payment) and 522J (Payment Under P2P) should be included in all value amendments made to existing contracts.

117. When completing DEFFORM 522A (Relevant Form Details For DEFCON 522 Payment Condition) in such contracts commercial officers must ensure the requirements of DEFCON 522 / 522J only apply to those items / services ordered on or after the relevant date in the table at paragraph 75 above. For example, where Line Item 1 in the original Contract Schedule of Requirements may be for 'Supply of 100 X Magic Widgets' and an amendment negotiated after the relevant date increases this quantity to 110, only the additional 10 and their related payment arrangements will be covered by DEFCON 522 / 522J.

118. Commercial officers must ensure that contract amendments or price letters, whichever is the most appropriate in the circumstances, are issued and copied to FMSSC, within seven working days of the date of the price adjustment agreement with the contractor. Only on receipt of such notice

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof

can FMSSC initiate appropriate action to update their records or recover any overpayments (e.g. where final firm price is less than provisional price).

119. If the contract is constructed to include the price(s), either in the Schedule or in an annex, a contract amendment should be issued to add to (or revise) prices in the contract. This should neither confuse nor detract from the payment condition that should already exist in the contract relating to all monies expected to fall due under the contract.

120. If a price letter relating to deliverable items is utilised to record an agreement, it should state 'you may now submit your claim to the bill payment branch in accordance with condition .... of the contract', and the contract should also be amended to include the newly agreed price(s).

121. A price letter may also be used to authorise payment of a claim or other matter not identified as deliverable against the contract. The propriety of payments, which are not specifically provided for under the terms and conditions of the contract must be confirmed before such a letter is issued.

Recovery of Sums Due From Contractors

122. Where there is a need to recover money from a contractor advice should be sought from the Receipts Section of FMSSC to enable recovery action to be initiated.

Assignment of Payments (Factoring)

123. An assignment of payments is an arrangement under which a contractor transfers the right to receive payment(s) due or becoming due under a specific contract or contracts to a third party.

124. Factoring is a business practice whereby a company assigns the right to receive invoiced payments due from its customers (e.g. the MOD) to a third party, known as a factor (normally a finance company). In return, the factor provides the company with a factoring service usually to aid cash flow. Providing certain criteria are met, factoring may be acceptable to the MOD.

125. A Commercial Policy Statement on Factoring is currently being drafted. Until publication, you must consult immediately with the policy sponsor (via the Commercial Policy Helpdesk) if you receive a request from a contractor for consent to assign payments to a third party.

Additional Information

Contact Details

Financial Management Shared Services Centre (FMSSC)
1st Floor, Walker House,
Exchange Flags,
Liverpool, L2 3YL

FMSSC Helpdesk: 0151 242 2000

Website: www.fmssc.mod.uk

Associated Documents

Annex A	Example Stage or Milestone Payment Plan
Annex B	Specimen Condition for Stage Payment Scheme (For Contracts Containing Firm, Fixed or Provisional Prices
Annex C	Specimen Condition for Stage Payment Scheme (For Contracts Prices on a Target Cost Incentive Basis)
Annex D	Payment Claim Forms
Annex E	Draft Letter for Commercial Officers to Send to OGDs / Other MOD Agencies
Annex F	The Late Payment of Commercial Debts (Interests) Act 1988 - Determination of 30 Calendar Day Period
Annex G	The Government's 5-Day Prompt Payment Initiative

Essential Reading

- Company Financial Status topic
- More Effective Contracting (MEC) topic
- Delivery and Acceptance topic
- Termination Of Contract topic
- Interest Payable To and By MOD topic
- Low Value Requirements < £250K topic
- Delivery and Acceptance topic (including General Notice to Defence Contractors (GNDC) No 5 (Issue 3))
- Joint Service Publication (JSP) 332 and JSP 462 Part 6 Chapter 12 for Government Procurement Card
- JSP 332 for Low Value Purchase Orders

- DIN 2005DIN04-051 for Late Payment of Commercial Debs (Interests) Act 1988 - Compliance

Further Reading

- Pricing – NAPNOC topic
- Pricing – Government Profit Formula topic
- Enabling Contracts topic
- Contract Amendments topic
- FMSSC Website
- Bank of England Website

Source: Commercial Toolkit
Available via http://www.aof.dii.r.mil.uk or http://www.mod.uk/aof