

Government Pay On-Time Survey

Performance Report ½1 July 2014 – 30 June 2016

Contents

Overview	3
Survey of Australian Government agencies.....	3
Survey methodology	4
Results.....	5
Compliance with the Pay On-Time policy	5
Compliance with the interest on late payments policy	7

Overview

This report contains the results of the Government Pay On-Time Survey for the 2014-15 and 2015-16 financial years.

The survey has been conducted since 2002. Historically, the surveys have measured compliance with the Pay On-Time policies at the time which applied to invoices paid to small businesses by Government agencies. Since the survey commenced in 2002, there has been significant improvement in the proportion of small business invoices paid within 30 days. In 2002, only 82 per cent of invoices were paid on time; however, by 2013-14, Government agencies were paying over 97 per cent of small business invoices on time.

The current Pay On-Time policy, amended in July 2014, now covers all business contracts valued up to \$1 million, irrespective of business size. While it is not possible to make a like for like comparison with previous surveys conducted, the results of this survey show that for those Government agencies who responded to the survey they are paying on average 97 per cent of contracts valued under \$1 million on time.

Survey of Australian Government agencies

This report contains the results of the Government Pay On-Time Survey for the 2014-15 and 2015-16 financial years. The report captures data on the performance of Australian Government agencies against the *Resource Management Guide – Supplier Pay On-Time or Pay Interest Policy* (Pay On-Time policy).¹

The key concepts of the Pay On-Time policy are:

- Government agencies² must make a payment to businesses for contracts which are valued at \$1 million or less within 30 days.
- Where a Government agency has not made payment within 30 days, the agency must pay interest to the business on the outstanding amount, if the amount of interest accrued is more than \$100.

The survey has been conducted since 2002. The previous surveys monitored compliance with the Pay On-Time policies at the time which applied to contracts valued up to \$5 million between Government agencies and small businesses.³

The current Pay On-Time policy, amended in July 2014, now covers all business contracts valued up to \$1 million, irrespective of business size.

¹ www.finance.gov.au/resource-management/spending/pay-on-time-policy/

² The Pay On-Time policy applies to non-corporate Commonwealth entities.

³ Previous surveys were conducted to monitor compliance with the *Procurement On-Time Payment Policy for Small Business* (2012—2015), which replaced the *Procurement 30 Day Payment Policy for Small Business* (2001—2012).

There is also a change to the way interest is applied to late payments under the Pay On-Time policy. The previous surveys looked at contracts with small businesses valued up to \$1 million where agencies must pay interest on amounts accruing more than \$10 in particular circumstances.

The current Pay On-Time policy, amended in July 2014, now requires interest to be paid to business if the outstanding amount is greater than \$100.

Given the changes which occurred to the Pay On-Time in policy in 2014, the data captured by this survey is not easily comparable to previous surveys.

Survey methodology

The survey was amended to reflect the 2014 change to the Pay On-time policy. The survey asked three questions for both the 2014-15 and 2015-16 financial years:

- the total number and total value of invoices for contracts under \$1 million received;
- the total number and total value of these which were paid late (after 30 days); and
- the total value of interest paid on these late invoices.

The survey was sent to 35 Government agencies.⁴ Of those agencies, 32 provided data.

The survey reports against a benchmark of 90 per cent in terms of the number of invoices paid within the 30 days.

The results of the survey are a proxy on how well Government agencies are complying with the Pay On-Time policy. There is no legislative requirement for Government agencies to comply with the Pay On-Time policy and the survey relies on agencies self-reporting against the survey questions.

⁴ The Pay On-Time policy applies to non-corporate Commonwealth entities under the *Public Governance, Performance and Accountability Act 2013*. The survey was sent to Government agencies that have historically participated in the survey.

Results

Compliance with the Pay On-Time policy

Based on the data reported by surveyed Government agencies:

- By number, 97.6 per cent of invoices on contracts valued under \$1 million were paid on time in 2014-15 (table 1) and 96.9 per cent of these invoices were paid on time in 2015-16 (table 2).
- By value, 93.1 per cent of invoices on contracts valued under \$1 million were paid on time in 2014-15 (table 1) and 94.7 per cent of these invoices were paid on time in 2015-16 (table 2).

While it is not possible to make a like for like comparison with previous surveys conducted, the results of this survey show that for those Government agencies who responded to the survey they are paying on average 97 per cent of contracts valued under \$1 million on time.

Table 1: Invoices on contracts valued under \$1 million received in 2014-15

	Number of invoices	Value of invoices
Paid within 30 days	735,603	\$3,341,461,117
Paid late (after 30 days)	18,197	\$249,520,321
Total	753,800	\$3,590,981,438

Table 2: Invoices on contracts valued under \$1 million received in 2015-16

	Number of invoices	Value of invoices
Paid within 30 days	764,310	\$3,679,744,458
Paid late (after 30 days)	24,163	\$206,993,833
Total	788,473	\$3,886,738,291

In 2014-15, 31 out of 32 agencies that responded to the survey met the 90 per cent benchmark in terms of number of invoices paid within 30 days. In 2015-16, 29 out of 32 responding agencies met the 90 per cent benchmark. Table 3 shows the percentage of invoices paid on time by each Government agency which responded to the survey.

Table 3: Percentage of invoices paid on time by number by each Government agency

Agency	2014-15 Percentage of invoices paid on time by number (%)	2015-16 Percentage of invoices paid on time by number (%)
Attorney-General's Department	99.8	99.3
Austrade	98.3	96.9
Australian Bureau of Statistics	97.3	97.7
Australian Communications and Media Authority	98.0	98.6
Australian Electoral Commission	100.0	99.3
Australian Federal Police	99.6	99.6
Australian Office of Financial Management	99.9	100.0
Australian Research Council	94.1	95.8
Australian Taxation Office	95.3	96.7
Department of Agriculture and Water Resources	99.4	88.4 ⁵
Department of Communications and Arts	91.9	92.4
Department of Defence	82.5	93.4
Department of Education and Training	95.4	92.8
Department of Employment	96.7	90.3
Department of Finance	99.5	99.0
Department of Foreign Affairs and Trade	93.3	93.5
Department of Health	90.9	81.4 ⁶
Department of Human Services	98.5	93.3
Department of Immigration and Border Protection	94.9	91.0
Department of Industry, Innovation and Science	99.8	99.4
Department of Infrastructure & Regional Development	100.0	100.0
Department of Parliamentary Services	96.4	96.4
Department of the Prime Minister and Cabinet	98.6	92.2
Department of Social Services	93.7	96.3
Department of the Environment and Energy	96.6	97.5
Department of Veterans' Affairs	95.7	95.2
Future Fund Management Agency	90.3	86.1 ⁷
National Archives of Australia	98.0	98.1
National Blood Authority	100.0	100.0
National Capital Authority	97.8	94.2
National Health and Medical Research Council	98.7	97.2
Treasury	99.3	99.6
AVERAGE	96.6	95.4

⁵ The Department of Agriculture and Water Resources has matured its process for identifying overdue payments resulting in an increase in number reported in 2015-16. New automated processes being implemented in 2017 are expected to reduce non-compliance going forward.

⁶ The Department of Health underwent significant structural changes in 2015-16 which had an adverse impact on payment times for suppliers. In November 2016, the Department introduced a new system for paying its suppliers which once embedded is expected to lead to improvements in payment times.

⁷ The change in the Future Fund Management Agency's performance reflects an increase in the number of payments being processed, as well as a continued focus on thoroughly checking invoices and, where appropriate, seeking clarification to ensure invoices reflect the goods and services delivered.

Compliance with the interest on late payments policy

Under the Pay On-Time policy, interest is payable by a Government agency to a business if the amount of interest accrued on outstanding payments is greater than \$100.

In 2014-15, the total amount of interest paid on late invoices by Government agencies that responded was \$199,954. In 2015-16 the total amount of interest was \$250,792.