



Australian Government

Australian Government Payments to Small Business

Performance Report

The 14th Survey | 1 July 2011 – 30 June 2012

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Survey of Australian Government Agencies

This report contains the results of the fourteenth survey of Australian Government Payments to Small Business (the survey) for the period 1 July 2011 to 30 June 2012. The survey monitors compliance with the *Procurement 30 Day Payment Policy for Small Business*. The policy contains the following elements:

1. Payment of invoices within 30 Days

The survey captures data to enable two different measures of payment performance to be calculated for each agency. They are the proportion of invoices paid by number (volume) and the proportion of invoices paid by value. Payments made by credit cards were requested to be included where relevant. Agencies are required to meet or exceed a performance benchmark of 90 per cent of correctly rendered invoices from small businesses being paid within 30 days of receipt.

Where financial systems could not separately identify small business invoices, agencies were requested to include invoices of up to \$5 million (inclusive of GST) as a proxy.

2. Late payment interest penalty

In December 2008, the Australian Government commenced the policy that an agency must pay simple interest for contract procurements that they fail to pay on-time upon receipt of a correctly rendered invoice with a value of up to \$1 million from a small business.

The full policy details are contained in Department of Finance and Deregulation, [Finance Circular No. 2008/10](#).

Updated Procurement Payment Policy for Small Business

The *Procurement 30 Day Payment Policy for Small Business* was updated on 1 September 2012¹. In addition to the requirements listed previously, agencies are now required to automatically pay penalty interest to small businesses for payments exceeding 60 days on contracts valued up to \$1 million (GST inclusive).

As this updated policy came into effect after the reporting period of this survey, it has not impacted on the performance data collected for this report. Full details of the updated policy are contained in Department of Finance and Deregulation [Finance Circular 2012/02](#).

Compliance with the 30 Day Payment Element of the Policy

The main findings from the 1 July 2011 – 30 June 2012 survey are:

- 40 agencies participated, covering around 904,000 invoices worth a total of approximately \$3 billion (see **Table 1**).
- By number, 96.8 per cent of invoices were paid within 30 days and in terms of value 94.2 per cent of invoices were paid on time (see **Table 2**).
- Only one department, the Department of Parliamentary Services, failed to meet the 90 per cent benchmark for the on-time payment of invoices from small business.
- Performance, in terms of the total number of invoices received and paid on time, has dropped slightly since the previous survey from 97.7 per cent (2010-11) to 96.8 per cent (2011-12).
- It should be noted that agency performance by value has improved, increasing from 89.2 per cent in 2010-11 to 94.2 per cent in 2011-12.

¹ On 1 September 2012, the policy name was changed to the *Procurement On-Time Payment Policy for Small Business*

Table 1: Whole-of-Government performance - combined data on the timeliness of payment of small business invoices, by number and by value (2011-12)

	Number of invoices (‘000)	Value of invoices (\$M)
Paid within 30 days	875.6	2,902.0
Paid within 31-44 days (up to 2 weeks late)	15.4	91.0
Paid within 45-60 days (up to 30 days late)	6.0	43.9
Not paid after 60 days (over 30 days late)	7.2	43.1
Total paid late	28.5	177.9
Total invoices	904.1	3,079.9

Table 2: Whole-of-Government performance – timeliness of small business invoices by percentage share (2011-12)

	By number	By value
Paid within 30 days	96.8%	94.2%
Paid late	3.2%	5.8%
Paid over two weeks late*	1.4%	2.8%

*The category ‘paid over two weeks late’ is a component of the ‘paid late’ category.

Survey History

The Australian Government has conducted this survey since 2002. Since that time there has been significant improvement in the proportion of invoices paid within 30 days and the number of agencies meeting the 90 per cent benchmark.

Starting from close to 80 per cent in 2002, the Australian Government is now paying almost 97 per cent of invoices on-time (see **Chart 1**). This is a slight drop from the 2010-11 results, and can be attributed to improved data collection mechanisms which are providing more accurate identification of small business payments. The number of agencies meeting, and in many cases exceeding, the benchmark has significantly improved from a low of 30 per cent of agencies in 2002. This represents an achievement for the Government, particularly as the number of agencies surveyed has grown from 17 in 2002 to 40 in 2012 (see **Tables 3 and 5**).

Chart 1: History – Whole-of-Government Payment Performance

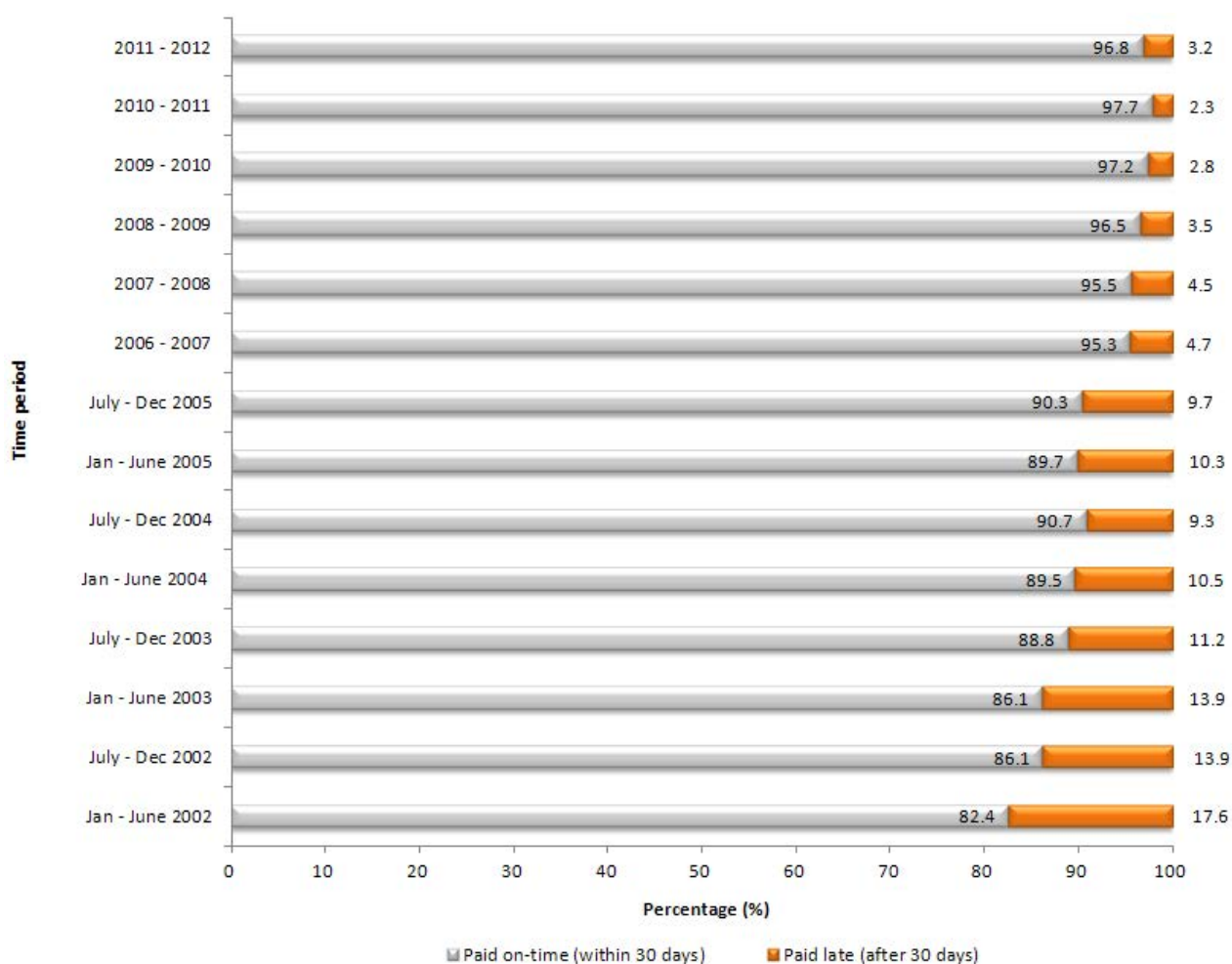


Table 3: History – Number of Agencies Meeting Benchmark

Survey Period	No. of agencies reaching the 90 per cent benchmark
Jul to Jun 2011-12	39/40
Jul to Jun 2010-11	40/40
Jul to Jun 2009-10	39/41
Jul to Jun 2008-09	37/40
Jul to Jun 2007-08	32/38
Jul to Jun 2006-07 ²	34/39
Jul to Dec 2005	27/31
Jan to June 2005	26/31
Jul to Dec 2004	25/30
Jan to June 2004	23/31
Jul to Dec 2003	22/29
Jan to Jun 2003	17/29
July to Dec 2002 ^{3 4}	15/27
Jan to June 2002 ^{5 6}	5/17

Compliance with the Interest on Late Payments Policy

This survey is the third to collect full financial year data on the Government's on-time payment guarantee. This year's data was similar to the previous reporting period with 50 invoices for late payment interest received with a total value of \$21,687.38 (see **Table 4**). Interest paid on late payments remains a very small amount. However, the revised *Procurement On-Time Payment Policy for Small Business* came into effect on 1 September 2012, and requires agencies to automatically pay penalty interest to small businesses on payments exceeding 60 days. As a result, the amount of interest paid to small business is likely to change over 2012-2013.

² No survey was conducted in the period Jan to Jun 2006 in order to transition into financial year reporting.

³ Introduction of 90% benchmark.

⁴ Includes the participation of Material Agencies for the first time.

⁵ Over the period 1 January 2002 to 31 December 2005 eight bi-annual surveys were conducted to monitor compliance with the *Procurement 30 Day Payment Policy for Small Business*.

⁶ This first survey was limited to Departments and did not include Material Agencies.

Table 4: History – Australian Government interest on late payments

	Invoices received for interest on late payments	Amount of interest paid (\$)
2011 – 2012	50	21,687.38
2010 – 2011	60	3,863.15
2009 – 2010	33	4,821.80
2008 – 2009 ⁷	1	30.27

A breakdown of payment performance by agency for the 2011-2012 reporting period has been provided (see **Table 5**).

Table 5: Agency performance – percentage of invoices paid within 30 days

Agency	Percentage of invoices paid on time
Attorney-General's Department	95.39%
AusAID	91.75%
Australian Bureau of Statistics	98.17%
Australian Communications and Media Authority	99.81%
Australian Customs and Border Protection Service	95.87%
Australian Electoral Commission	99.53%
Australian Federal Police	96.53%
Australian Office of Financial Management	100.00%
Australian Research Council	94.43%
Australian Securities and Investments Commission	92.10%
Australian Taxation Office	97.36%
Australian Trade Commission (Austrade)	94.58%
Bureau of Meteorology	94.10%
Defence Material Organisation	94.35%
Department of Agriculture, Fisheries and Forestry	90.93%
Department of Broadband, Communications and the Digital Economy	92.88%

⁷ Reports only about six months worth of data since the policy started on the 1 December 2008.

Agency	Percentage of invoices paid on time
Department of Climate Change and Energy Efficiency	98.81%
Department of Defence	98.09%
Department of Education, Employment and Workplace Relations	94.37%
Department of Families, Housing, Community Services and Indigenous Affairs	96.39%
Department of Finance and Deregulation	99.33%
Department of Foreign Affairs and Trade	93.97%
Department of Health and Ageing	95.20%
Department of Human Services	95.53%
Department of Immigration and Citizenship	95.07%
Department of Industry, Innovation, Science, Research and Tertiary Education	99.66%
Department of Infrastructure and Transport	99.55%
Department of Parliamentary Services	86.04%
Department of Prime Minister and Cabinet	98.67%
Department of Regional Australia, Local Government, Arts and Sport	96.79%
Department of Resources, Energy and Tourism	95.77%
Department of Sustainability, Environment, Water, Populations and Communities	95.56%
Department of the Treasury	95.20%
Department of Veteran's Affairs	94.28%
Family Court of Australia	98.76%
Future Fund Management Agency	94.93%
National Archives of Australia	98.55%
National Blood Authority	93.43%
National Capital Authority	92.63%
National Health and Medical Research Council	93.30%