



ON-TIME PAYMENT POLICY P3.0174.3

ON-TIME PAYMENT POLICY

DIVISION: Customer & Corporate Strategy

BRANCH: Finance & Property Services

CATEGORY: 2

PART 1 – INTRODUCTION

1. BACKGROUND

1.1 This policy has been developed as part of the small business friendly councils initiative.

2. OBJECTIVE

2.1 To confirm Council's commitment to pay invoices for eligible small business suppliers within 20 days of receipt as part of the small business friendly Councils initiative.

3. SCOPE

3.1 This policy applies to small business suppliers registered with Council.

3.2 The on-time payment policy applies to invoices received on or after the date of adoption by Council;

3.3 In adopting this policy, Council is committed to the following:

- Council must pay small business suppliers for the provision of goods and services, no later than 20 days from the date of receipt of a correctly rendered invoice unless an existing contract or standing offer (i.e. pre the date of adoption by council) provides for an alternate time period.
- Shorter or longer payment terms are permitted for new or amended contracts entered into on or after the date of adoption by Council. However, payment terms longer than 20 days are permitted only where the nature of the goods and services or the structure of the purchase make it impractical to require payment within 20 days.
- Where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract (i.e. pre the date of adoption by Council) specifies otherwise. Interest amounts will only be paid where the calculated interest exceeds A\$20.
- Simple interest on the unpaid amount must be calculated from the day after payment was due up to and including the day that payment is made.

- The interest rate is determined under section 22 of the *Taxation Administration Act 1996*, unless a higher interest rate is payable under the contract in respect of the default in payment. The appropriate interest rate is available from the NSW Office of State Revenue website at <http://www.osr.nsw.gov.au/taxes/other/taa/rates/>.
- 3.4 Council must provide potential suppliers with the opportunity to identify themselves as a small business on invoicing (i.e. suppliers will be able to self-assess themselves as a 'small business', in accordance with this policy, at the date of invoicing).
- 3.5 Council will require small businesses to register with Council using the application form available on its website.
- 3.6 For suppliers that are deemed to not be small businesses, Council will continue to endeavour to ensure payments are made within 20 days of receipt of a correctly rendered invoice.

4. DEFINITIONS

For the purposes of this policy:

- 4.1 **Correctly rendered invoice** means an invoice which:
- is rendered in accordance with all of the requirements of the approved purchase order and, where applicable, the written contract.
 - is for amounts correctly calculated.
 - is for work properly performed (i.e. goods received in good order and / or service satisfactorily carried out).
 - where applicable is a valid tax invoice.
 - is sent to Council's dedicated small business payments email address.
- 4.2 **Day that payment is made** means the day that funds are transferred into the banking system for payment to the supplier. Note that under this policy, small businesses will only be eligible under the condition that they accept electronic funds transfer as the method of payment for a correctly rendered invoice. This policy is not applicable for payments made via cheque.
- 4.3 **Goods and services** are as defined in the Public Sector Employment and Management (Goods and Services) Regulation 2010. In general terms, goods and services exclude construction contracts and property and accommodation contracts.
- 4.4 **Small businesses** are Australian or New Zealand-based firms that have an annual turnover of under \$2 million in the latest financial year.
- 4.5 **Standing offer** is an agreement for the provision or disposal of goods or services over a certain period on the order of any customer for whom the agreement has been arranged.

PART 2 - POLICY STATEMENT

5. REPORTING REQUIREMENTS

5.1 Quarterly reporting to Council and the general public

Council is required to provide quarterly reports specifically with respect to small business suppliers about their payment performance. These reports will be provided as part of the Quarterly Budget Review Statements (QBRS) and will also be published on Council's website.

5.2 Annual report requirements

Council will include reporting regarding the ongoing compliance with this policy in its Annual Report.

6. ACCOUNTS LIAISON OFFICER

6.1 Council will nominate the holder of a position within staff to be the accounts liaison officer for Council. The person nominated for this position is the Coordinator Financial Operations.

6.2 A purchase order issued by Council must include:

- a statement that if payment is not made within the time determined in accordance with this Policy, the supplier should contact the accounts liaison officer for Council, and
- the telephone number of the liaison officer, and
- a statement that, if payment is not made within the specified time period, Council:
 - *Must*, pay the supplier penalty interest of an amount or rate as published on the Office of State Revenue's website (i.e. for small business suppliers), where interest calculated exceeds A\$20.
- Any penalty interest payment must be met from within Council's approved budget.

6.3 To assist Council in implementing this policy, Appendix A provides answers to a number of frequently asked questions. The Annual reporting template format to be used is attached at Appendix B.

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RELEVANT LEGISLATIVE INSTRUMENTS: N/A

RELATED POLICIES, PLANS AND PROCEDURES: Purchasing and Procurement Policy

RESPONSIBLE DIRECTOR: Director Customer and Corporate Strategy

APPROVAL: Council

HISTORY:

| Version | Approved by | Changes made | Date | EDMS Number |
|----------------|--------------------|----------------------------------------------------------------------------------------|-------------|--------------------|
| 1 | Council | New policy | 10/02/2015 | 15/167450 |
| 2 | | Reviewed without change | 12/04/2019 | 19/113824 |
| 3 | ELG | Reviewed with changes made to revised payment terms to 20 days and other minor changes | 09/06/2022 | 19/113824 |

Frequently asked questions on on-time payment policy for small businesses

Frequently asked questions are provided to assist with the implementation of this policy.

1. What is covered by the payment of accounts policy for small business? When is the start date?

Council is required to pay small businesses within 20 days of receipt of a correctly rendered invoice, for invoices received on or after the date of adoption of this policy by Council.

The above requirements, however, do not apply where there is an existing contract or standing offer (i.e. pre date of adoption by Council) which provides for an alternative time period / interest requirements, in which case the terms of the contract apply. Where existing contracts have longer payment terms, Council will still endeavour to pay small business suppliers within 20 days.

2. How do you define a small business?

A small business is an Australian or New Zealand-based firm that has an annual turnover of under \$2 million in the latest financial year.

3. How does Council know that an invoice is from a small business under the policy?

Council must provide potential suppliers with the opportunity to identify themselves as a small business on invoicing (i.e. suppliers will be able to self-assess themselves as a 'small business', in accordance with this policy, at the date of invoicing). This will be through an application form on Council's website.

4. How does Council verify that a supplier is a small business under the policy?

Council may ask a supplier to demonstrate that it satisfies the definition of a small business under this policy; e.g. by supplying a business activity statement, the latest year's annual financial statement, letters/certificate from the firm's accountant/auditor or any other acceptable third-party endorsement. However, Council may decide to limit this verification to only circumstances where interest will be paid and in all other circumstances to accept the supplier's self-assessment, and pay within 20 days from receipt of a correctly rendered invoice.

5. How will we know whether a supplier's small business status changes?

A small business will need to self assess itself at the time of invoicing (i.e. to identify itself as a small business), which therefore will occur on a continuous basis, as goods and services are supplied. Registering as a small business is done on Council's website.

6. Can payment terms be more than 20 days?

Yes, but only where the nature of the goods and services or the structure of the purchase make it impractical to require payment within 20 days.

7. Is Council to pay small businesses within 20 calendar days or 20 business days?

Payments to small businesses are to be made within 20 calendar days.

Frequently asked questions on on-time payment policy for small businesses

8. How is interest for late payment initiated?

Interest will be automatically paid by Council where payment has not been made within 20 days of receipt of a correctly rendered invoice, where interest exceeds A\$20. This means that Council must calculate the interest payable, which must then be certified as correct.

9. How is interest for late payments calculated?

The interest rate is determined under section 22 of the Taxation Administration Act 1996. This is available from the NSW Office of State Revenue website at: <http://www.osr.nsw.gov.au/taxes/other/taa/rates/>.

10. What is a correctly rendered invoice?

A correctly rendered invoice is an invoice which:

- a. is rendered in accordance with all of the requirements of the approved purchase order, a valid tax invoice and, where applicable, the written contract.
- b. is for amounts correctly calculated.
- c. is for work properly performed (i.e. goods received in good order or service satisfactorily carried out).
- d. where applicable is a valid tax invoice.
- e. is sent to Council's dedicated small business payments email address.

11. What happens if the supplier issues an invoice but the goods or services have not been delivered or do not meet the requirements of the written contract?

In these circumstances, the invoice will not meet the definition of a 'correctly rendered invoice'. The requirement to pay invoices within 30 days and to pay interest on overdue amounts arises only when the goods and a 'correctly rendered invoice' have been received.

12. Does the payment of accounts policy apply to invoices issued under an existing (pre the date of adoption by Council) contract which specifies different payment terms and interest requirements?

No. The requirement to pay small business suppliers within 30 days of receipt of a correctly rendered invoice applies, unless an existing contract or standing offer provides otherwise. However, where existing contracts have longer payment terms, Council will still endeavour to pay small business suppliers within 30 days.

13. Is there any dispute resolution process?

Yes. Any disputes or complaints should first be raised with Council's Accounts Liaison Officer. If the issue cannot be resolved by the Accounts Liaison Officer, the small business supplier should be given the opportunity to refer the issue to the Small Business Commissioner. The Small Business Commissioner can be contacted on 1300 795 534 or via email at we.assist@smallbusiness.nsw.gov.au.

Annual payment performance Council reporting template

How will this new policy be communicated to small business suppliers?

The Policy will be promoted on Council’s website as part of the small business friendly Councils initiative. In addition, information will be provided on purchase orders and in regular supplier correspondence issued by Council.

Number of small businesses registered during quarter ending _____ 20xx

| Measure | Sep 20xx | Dec 20xx | Mar 20xx | Jun 20xx |
|-----------------------------------------------------------------------------|----------|----------|----------|----------|
| Invoices due for payment (#) | | | | |
| Invoices due for payment received from small businesses (#) | | | | |
| Invoices from small businesses paid on time (#) | | | | |
| Amount due for payment (\$) | | | | |
| Amount due for payment to small businesses (\$) | | | | |
| Amount due to small businesses paid on time (\$) | | | | |
| Number of payments to small businesses for interest on overdue accounts (#) | | | | |
| Interest paid to small businesses on late accounts (\$) | | | | |

On-Time Payment Policy Performance

