

Government Pay On-Time Survey

Performance Report | 1 July 2016 – 30 June 2017

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Overview

This report contains the results of the Government Pay On-Time Survey for the 2016-17 financial year. The survey has been conducted since 2002 on a voluntary basis. This survey is based on the Pay On-Time policy in place on 1 July 2017.

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.¹ 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 *Supplier Pay On-Time or Pay Interest Policy* (Pay On-Time policy), amended in July 2014, now covers all business contracts valued up to \$1 million, irrespective of business size. This policy applies to non-corporate Commonwealth entities (NCCEs) under the Public Governance, Performance and Accountability Act 2013.

In November 2017, the Government released its response to the Australian Small Business and Family Enterprise Ombudsman's (ASBFEOs) report into payment times and practices. The Government agreed to amend its Pay On-Time policy to reduce its payment times to business to demonstrate greater leadership and set an example of best practice. The reduction in payment times will be mandatory on agencies from 1 July 2019.

In addition, the Government will increase the transparency and accountability of agencies in complying with the Supplier Pay On-Time or Pay Interest Policy by mandating that all NCCEs report payment performance against the stated policy beginning for the 2018-19 financial year.

At short notice, all NCCEs were asked to participate in this voluntary survey. There was a strong response, with 68 agencies participating. 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 95.9 per cent of contracts valued under \$1 million on time within 30 days. The survey also shows that a significant number of invoices are being paid much faster than the current government policy and industry norm of 30 days, with around 57.5 per cent of invoices paid within 20 days. This lays a solid platform as agencies transition to the Government's recent announcement that all NCCEs are to pay invoices for contracts up to \$1 million within 20 calendar days from July 2019.

Survey of Australian Government agencies

This report contains the results of the Government Pay On-Time Survey for the 2016-17 financial year. The report captures data on the performance of Australian Government agencies against the Pay On-Time policy.²

¹ The Pay On-Time policy applies to non-corporate Commonwealth entities.

² www.finance.gov.au/resource-management/spending/pay-on-time-policy/

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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 In July 2014, this was amended to cover all business contracts valued up to \$1 million, irrespective of business size.

The Government's response to the ASBFEO report into payment times and practices released in November 2017 will result in amendments to the current Pay On-Time policy.

From July 2019, NCCEs must make a payment to businesses for contracts which are valued at \$1 million or less within 20 days. Where a Government agency has not made payment within 20 days, the agency must pay interest to the business on the outstanding amount, if the amount of interest accrued is more than \$100. This report has requested this information from agencies on a voluntary basis and still uses the existing policy of a 30 days benchmark.

Survey methodology

The survey asked four questions for the 2016-17 financial year:

- 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 within 20 days
- The total number and total value of these which were paid within 30 days; and
- the total value of interest paid on late invoices.

While previous surveys were sent to a small sample of Government agencies that have historically participated, this survey was sent to 95 Government agencies.⁴ Of those agencies, 68 provided data. Table 2 only reflects the data provided by those agencies that responded.

The results of the survey are a proxy on how well Government agencies are complying with the Pay On-Time policy and relies on agencies self-reporting against the survey questions.

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).

⁴ 32 out of 35 invited agencies responded to the last voluntary survey for the 2014-15 and 2015-16 financial year.

Results

Compliance with the Pay On-Time policy

Based on the data reported by surveyed Government agencies:

- By number, 95.9 per cent of invoices on contracts valued under \$1 million were paid on time in 2016-17 (Table 1). In 2015-16, 96.9 per cent of these invoices were paid on time .
- By value, 93.5 per cent of invoices on contracts valued under \$1 million were paid on time in 2016-17 (Table 1). In 2015-16, 94.7 per cent of these invoices were paid on time.

While it is not possible to make a like for like comparison with previous surveys conducted, the results of this survey show that in aggregate, for those Government agencies who responded to the survey, they are paying on average 95.9 per cent of contracts valued under \$1 million on time.

Table 1 also shows performance in regards to invoices paid under 20 days by each Government agency that responded to the survey. In aggregate, these agencies are paying on average 57.5 per cent of contracts valued under \$1 million within 20 days.

In terms of the value of invoices, 54.7 per cent of the total value of invoices were paid by the Government agencies surveyed within 20 days for 2016-17.

Table 1: Invoices on contracts valued under \$1 million received in 2016-17

	Number of invoices	Value of invoices
Paid within 20 days	326,252	\$1,768,804,658.80
Paid within 30 days	543,933	\$3,022,114,020.70
Paid late (after 30 days)	23,198	\$209,616,193.94
Total invoices	567,131	\$3,231,730,214.64

Note: The total in Table 1, *Total invoices* is the sum of invoices *Paid within 30 days* and those *Paid late (after 30 days)*. Invoices *Paid within 20 days* are captured in the paid within 30 days figure.

In 2016-17, 56 out of 68 responding agencies met the 90 per cent benchmark. Table 2 shows the percentage of invoices paid on time by each Government agency which responded to the survey.

Table 2: Percentage of invoices paid on time by number by each Government agency

Agency	2016-17 Percentage of invoices paid within 20 days by number (%)	2016-17 Percentage of invoices paid within 30 days by number (%)
Asbestos Safety and Eradication Agency	96.5	100.0
Australian Aged Care Quality Agency	84.0	93.4
Australian Building and Construction Commission	40.0	100.0
Australian Bureau of Statistics	93.2	97.8
Australian Centre for International Agricultural Research	69.6	84.4
Australian Commission for Law Enforcement Integrity	18.1	97.6
Australian Competition and Consumer Commission	77.4	94.2
Australian Electoral Commission	33.5	95.0
Australian Federal Police	97.0	99.1
Australian Financial Security Authority	91.5	95.9
Australian Institute of Family Studies	89.2	99.1
Australian Law Reform Commission	-	100.0
Australian Office of Financial Management	75.0	91.7
Australian Prudential Regulation Authority	99.7	100.0
Australian Public Service Commission	50.6	98.0
Australian Research Council	82.4	90.1
Australian Skills Quality Authority (National Vocational Education and Training Regulator)	58.2	62.2
Australian Trade and Investment Commission (Austrade)	-	98.0
Australian Transaction Reports and Analysis Centre (AUSTRAC)	89.3	96.0
Australian Transport Safety Bureau	68.0	96.6
Cancer Australia	-	100.0
Clean Energy Regulator	84.0	93.3
Climate Change Authority	100.0	100.0
Commonwealth Grants Commission	100.0	100.0
Department of Agriculture and Water Resources	62.1	89.4
Department of Communications and the Arts	86.6	94.0
Department of Education and Training	-	87.4
Department of Employment	-	88.7
Department of Finance	47.0	95.4
Department of Foreign Affairs and Trade	80.4	93.8
Department of Health ⁵	23.1	75.2
Department of Human Services	4.0	97.2
Department of Immigration and Border Protection	4.6	92.0
Department of Industry, Innovation and Science	96.6	99.0

⁵ The Department of Health noted that in November 2016, they introduced a new Vendor Invoice Management (VIM) System. This had an adverse impact on payment times for suppliers during implementation. However, the system is now embedded and the Department is seeing substantial improvements from the new arrangements.

Department of Infrastructure and Regional Development	99.8	100.0
Department of Parliamentary Services	29.1	92.3
Department of Social Services	43.1	100
Department of the Environment and Energy	52.6	89.9
Department of the House of Representatives	62.7	86.2
Department of the Prime Minister and Cabinet	91.1	97.9
Department of the Senate	74.6	99.0
Department of the Treasury	58.7	95.9
Department of Veterans' Affairs	71.6	95.4
Digital Transformation Agency	47.4	85.2
Fair Work Commission	29.9	100.0
Federal Court of Australia	91.1	98.4
Future Fund Management Agency	73.0	86.8
Geoscience Australia	95.6	98.0
Inspector-General of Taxation	70.6	100.0
IP Australia	-	94.4
National Archives of Australia	-	97.0
National Blood Authority	73.7	98.6
National Capital Authority	74.0	92.1
National Competition Council	69.2	100.0
National Health and Medical Research Council	30.8	97.2
Office of Parliamentary Counsel	96.9	99.8
Office of the Commonwealth Ombudsman	80.7	89.0
Office of the Director of Public Prosecutions	-	99.8
Office of the Fair Work Ombudsman	22.5	100.0
Office of the Inspector-General of Intelligence and Security ⁶	-	-
Office of the Official Secretary of the Governor-General	97.0	98.0
Organ and Tissue Authority	98.7	100.0
Parliamentary Budget Office	94.6	99.2
Productivity Commission	80.7	100.0
Professional Services Review	96.7	99.6
Royal Australian Mint	23.8	100.0
Safe Work Australia	92.2	96.5
Workplace Gender Equality Agency	100.0	100.0

(6): Office of the Inspector-General of Intelligence and Security responded to the survey but did not have any payments for contracts greater than \$10,000 during the reporting period that are relevant for this survey.

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 2016-17, the total amount of interest paid on late invoices by Government agencies that responded was \$317,702.50.