

# Australian Government Payments to Small Business

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*Performance Report | 1 July 2012 – 30 June 2013*

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## Survey of Australian Government agencies

This report contains the results of the fifteenth survey of Australian Government Payments to Small Business (the survey) for the period 1 July 2012 to 30 June 2013. The survey monitors compliance with the *Procurement On-Time Payment Policy for Small Business* (the policy), which replaced the former *Procurement 30 Day Payment Policy for Small Business* from 1 September 2012. The full policy details are available through the Department of Finance, [Finance Circular No. 2012/02](#).

The key concepts are:

- For payments valued up to \$5 million (GST inclusive) to small businesses, FMA Act agencies must adopt maximum payment terms 'not exceeding 30 days'.
- For written procurement contracts with small businesses valued up to \$1 million (GST inclusive), where the amount of interest accrued is more than \$10, agencies must pay interest on late payments:
  - On request from the small business for payments made after 30 days (but before 60 days), from receipt of a correctly rendered invoice; and
  - Via a self-generated interest payment where payments are made after 60 days from receipt of a correctly rendered invoice.

### 1. Payment of invoices within 30 days

The survey captures data on payment performance for each agency. The proportion of invoices paid on-time by number (volume) and proportion of invoices paid on-time by value were measured. Within 30 days of receiving a correctly rendered invoice from small business, agencies are required to meet a 90 per cent benchmark of on-time payment. The survey data notes the number of invoices paid on-time, up to two weeks late, up to a month late, and over a month late.

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

The survey gathered data on the number of requests for interest payments over \$10 for invoices paid up to 60 days late to small businesses on invoices valued up to \$1 million (inclusive of GST). The value of these payments was collected and collated with historical data.

In accordance with the new policy, the survey data also indicates the number and value of automatic interest payments that were made to small businesses on invoices paid after 60 days, up to \$1 million (inclusive of GST) in value, and where interest was more than \$10.

## Compliance with the 30 day payment element of the policy

The main findings from the 1 July 2012 – 30 June 2013 survey are:

- 40 agencies participated<sup>1</sup>; covering around 836,000 invoices worth a total of approximately \$3 billion (see **Table 1**).
- By number, 96.11 per cent of invoices were paid within 30 days and in terms of value 92.95 per cent of invoices were paid on time (see **Table 2**).
- Only one department, the former Department of Health and Ageing, just failed to meet the 90 per cent benchmark, with a result of 89.58% for on-time payments of invoices from small business.
- On-time performance, in terms of the total number of invoices has dropped slightly since the previous survey period from 96.8 per cent (2011-12) to 96.11 per cent (2012-13).
- Performance, in terms of the total value of invoices received and paid on-time has also dropped slightly since the previous survey period from 94.2 per cent (2011-12) to 92.95 per cent (2012-13).

**Table 1: Whole-of-Government performance for 2012-13 – timeliness of small business invoices (up to \$5 million in value), by number and by value**

	Number of invoices	Value of invoices
Paid within 30 days	803,377	\$2,837,403,964
Paid within 31-44 days (up to 2 weeks late)	17,245	\$130,629,131
Paid within 45-60 days (up to 30 days late)	7,148	\$43,337,176
Paid after 60 days (over 30 days late)	8,153	\$41,101,057
<b>Total paid late</b>	<b>32,546</b>	<b>\$215,067,364</b>
<b>Total invoices</b>	<b>835,923</b>	<b>\$3,052,471,327</b>

<sup>1</sup> At 1 July 2013, there were 40 FMA Act material agencies. ASIO did not report due to the nature of their work. The former Department of Climate Change and Energy Efficiency (DCCEE) reported as a separate entity even though its functions were moved to the Department of Industry, Innovation, Science, Research and Tertiary Education, and Department of Resources, Energy and Tourism due to machinery of Government changes. DCCEE's financial management system were not transferred until after 30 June 2013.

**Table 2: Whole-of-Government performance – timeliness of small business invoices by percentage share (2012-13)**

	<b>By number</b>	<b>By value</b>
<b>Paid within 30 days</b>	96.11%	92.95%
<b>Paid after 30 days</b> <b>(ie. Total paid late)</b>	3.89%	7.05%
<b>Paid after 60 days<sup>2</sup></b>	1.83%	2.77%

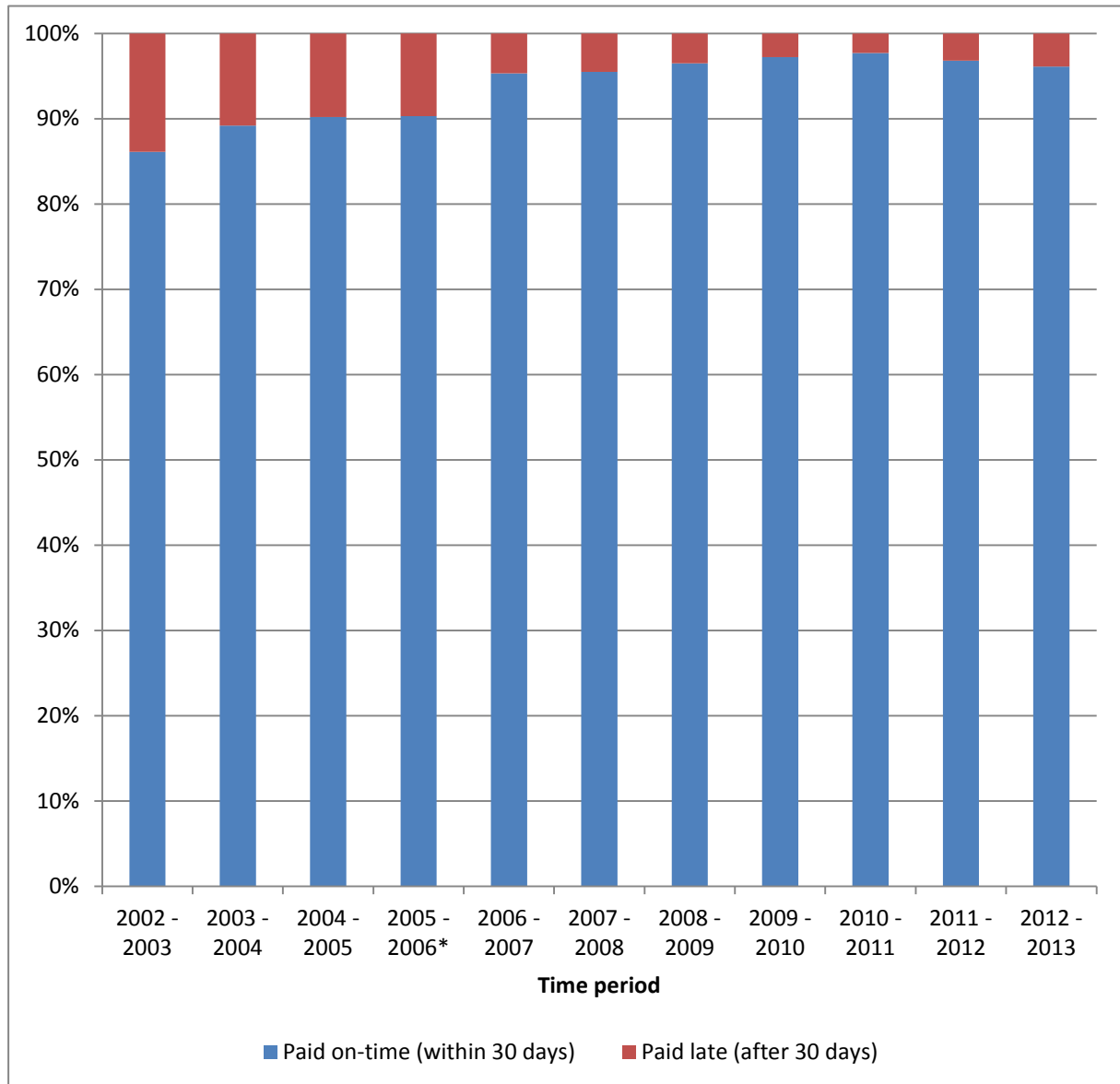
## Survey history

The Australian Government has conducted this survey since 2002. Since that time, there has been a significant improvement in the proportion of invoices paid within 30 days and the number of agencies meeting the 90 per cent benchmark. In 2002, only 82 per cent of invoices were paid on time, now the Australian Government is paying over 96 per cent on-time (see **Chart 1**).

The 2012-13 results have declined slightly compared to 2011-12; however, the number of agencies meeting and exceeding the benchmark has significantly improved from a low of 30 per cent (5/17) of agencies in 2002 to over 97 per cent (39/40) in 2012-13. This represents an achievement for the Government, particularly as the number of agencies surveyed has grown from 17 in 2002, to 40 in 2013 (see **Table 3** and **Table 5**).

<sup>2</sup> The category 'Paid after 60 days' is a component of the 'Paid after 30 days' category

**Chart 1: History – Whole-of-Government payment performance**



\*This period only includes data for July – December 2005, no data was collected for January – June 2006

**Table 3: History – Number of agencies meeting benchmark**

Survey Period	Number of agencies reaching the 90 per cent benchmark
Jul to Jun 2012-13	39/40
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 <sup>3</sup>	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 <sup>4 5</sup>	15/27
Jan to June 2002 <sup>6 7</sup>	5/17

<sup>3</sup> No survey was conducted in the period Jan to Jun 2006 in order to transition into financial year reporting

<sup>4</sup> Introduction of 90% benchmark

<sup>5</sup> Includes the participation of Material Agencies for the first time

<sup>6</sup> 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*

<sup>7</sup> This first survey was limited to Departments and did not include Material Agencies

## Compliance with the interest on late payments policy

This survey is the fourth to collect full financial year data on the Australian Government's on-time payment guarantee to small businesses. On 1 September 2012, the *Procurement 30 Day Payment Policy for Small Business* was replaced by the *Procurement On-Time Payment Policy for Small Business*.

In 2012-13, a total of 465 late payment interest invoices were paid. Of these, 12 were requested by small businesses, and 453 were automatically generated by agencies (see **Table 4a** and **4b**). In 2011-12, only 50 interest invoices were paid, indicating the change in policy has resulted in more interest being paid to small businesses. In particular, the addition of automatic interest payment after 60 days has resulted in far greater interest payments due to late payment.

The total amount of interest paid on late invoices in 2012-13 was \$35,110.23, of which \$3,061.45 was paid on late invoices over 30 days, and \$32,048.78 on late invoices paid after 60 days. In 2011-12, \$21,687.38 was paid in interest to small businesses as there were far fewer invoices for interest. This also highlights the average amount of interest per late invoice was far less in 2012-13 (about \$76 per invoice) compared to 2011-12 (about \$434 per invoice).

**Table 4a: History – Australian Government interest on late payments**

	Number of late payment interest invoices	Amount of interest paid (\$)
2012 – 2013 (see <b>Table 4b</b> )	465	35,110.23
2011 – 2012	50	21,687.38
2010 – 2011	60	3,863.15
2009 – 2010	33	4,821.80
2008 – 2009 <sup>8</sup>	1	30.27

**Table 4b: Interest on late payments for 2012-13**

	Invoices for interest on late payments 31 – 60 days	Invoices for interest on late payments over 60 days	TOTAL
Number	12	453	<b>465<sup>9</sup></b>
Value (\$)	3,061.45	32,048.78	<b>35,110.23</b>

<sup>8</sup> Reports approximately six months of data since the policy started on 1 December 2008

<sup>9</sup> Number of invoices paid late, up to \$1 million in value as set out in the Finance Procurement Guidelines



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

<b>Agency</b>	<b>Percentage of invoices paid on time (by number)</b>
Attorney-General's Department	98.53%
AusAID	94.93%
Australian Bureau of Statistics	97.53%
Australian Communications and Media Authority	99.41%
Australian Customs and Border Protection Service	90.62%
Australian Electoral Commission	99.64%
Australian Federal Police	99.14%
Australian Office of Financial Management	99.26%
Australian Research Council	90.36%
Australian Securities and Investments Commission	97.94%
Australian Taxation Office	95.50%
Australian Trade Commission (Austrade)	94.21%
Bureau of Meteorology	92.50%
Defence Material Organisation	94.76%
Department of Agriculture, Fisheries and Forestry	90.06%
Department of Broadband, Communications and the Digital Economy	93.12%
Department of Climate Change and Energy Efficiency	99.52%
Department of Defence	95.92%
Department of Education, Employment and Workplace Relations	95.67%
Department of Families, Housing, Community Services and Indigenous Affairs	95.31%
Department of Finance and Deregulation	99.54%
Department of Foreign Affairs and Trade	95.59%
Department of Health and Ageing	89.58%

<b>Agency</b>	<b>Percentage of invoices paid on time (by number)</b>
Department of Human Services	97.63%
Department of Immigration and Citizenship	96.96%
Department of Industry, Innovation, Science, Research and Tertiary Education	99.61%
Department of Infrastructure and Transport	99.87%
Department of Parliamentary Services	92.53%
Department of Prime Minister and Cabinet	99.36%
Department of Regional Australia, Local Government, Arts and Sport	98.95%
Department of Resources, Energy and Tourism	99.59%
Department of Sustainability, Environment, Water, Populations and Communities	97.06%
Department of the Treasury	97.06%
Department of Veteran's Affairs	96.38%
Family Court of Australia & Federal Circuit Court	98.30%
Future Fund Management Agency	97.71%
National Archives of Australia	98.38%
National Blood Authority	96.68%
National Capital Authority	94.61%
National Health and Medical Research Council	97.00%