

SUPPLIER PAYMENTS BRIEFING

APRIL 2020

PURPOSE: To provide advice and guidance on the payment of suppliers to ensure service continuity during and after the COVID-19 crisis.

ACTION: To disseminate to service areas and contract managers the processes for reviewing payments measures and supporting supplier cash flow.

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INTRODUCTION

In response to the COVID-19 pandemic, Crown Commercial Services has issued a Procurement Policy Note (PPN) which provides information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current COVID-19 outbreak.

All staff involved in supplier management must read the PPN (link below) and consider the content in relation to their contract portfolio.

<https://www.gov.uk/government/publications/procurement-policy-note-0220-supplier-relief-due-to-covid-19>

MAINTAINING SUPPLIER PAYMENTS

Where goods and services are either reduced or paused temporarily, commissioners and contract managers should consider where the council will need support at risk suppliers so they are able to cope with the current crises and be in a position to resume normal service delivery and fulfil their contractual obligations when the outbreak is over.

If a supplier requests that payment continues despite reduced or non-fulfilment of their contractual obligations, commissioners and contract managers will need to follow the process below:

1. The supplier will need to be able to demonstrate to the council that their business will be at financial risk if continued payment is not made;
2. Commissioners and contract managers will need to determine the best way to support the supplier in maintaining cash flow during this period. For example; continue to pay at usual contractual rates, alternative payment mechanisms, payment against revised/extended milestones or timescales, interim payments, forward ordering, payment on order or payment in advance/prepayment;
3. Commissioners and contract managers should consider if the supplier's capacity could be redeployed in another area during the outbreak;
4. Where the supplier requires continued payment, the council will require the supplier to submit an Interim Payment Proposal detailing the interim payment relief it requires and why it needs the relief (e.g. staff wages, payment of sub-contractors);
5. Commissioners and contract managers must complete an officer decision report detailing the proposed interim payment relief terms;
6. Support for the interim payment relief is required from the relevant Director;
7. The request for interim payment relief must be sent to the Procurement and Contracts Manager;
8. The Procurement and Contracts Manager will make a recommendation to the s.151 Officer and Assistant Director of Finance for final approval;

9. The council's procurement and contracts lawyer will prepare the Interim Payment Terms variation agreement in conjunction with the service area to formalise the arrangements with the supplier.

Where requests are granted, the council and the supplier should work collaboratively to ensure there is transparency during this period. Suppliers in receipt of continued payment on this basis must agree to operate on an 'open book' basis. This means they must make available to the council any data, including from ledgers, cash-flow forecasts, balance sheets, and profit and loss accounts, as required and requested to demonstrate the payments made to the supplier under contract have been used in the manner intended.

Suppliers should identify in their invoices which elements of the invoiced amount relates to services they are continuing to supply (i.e. business as usual) and which amounts are attributable to the impact of COVID-19.

Suppliers should not expect to make profits on elements of a contract that are undelivered during this period and all suppliers are expected to operate with integrity. Suppliers should be made aware that in cases where they are found to be taking undue advantage or fail in their duty to act transparently and with integrity, the council will reserve the right to take action to recover payments made.

Suppliers who are in receipt of continued payment from the local authority cannot also claim relief from the Coronavirus Job Retention Scheme (CJRS) or other COVID-19 support schemes from the Government.

If any continued payments have already been agreed with suppliers without following the process set out above, please contact the Procurement and Contracts Manager immediately.

EMERGENCY PAYMENT PROCEDURES

If service areas are approached by suppliers for faster or advance payments for business as usual services/goods delivered during the current COVID-19 crisis, they should contact the Payments Manager for review and discussion with the Procurement and Contracts Manager as appropriate.

The Accounts Payable pay run continues to operate at twice a week but frequency can be increased with prior arrangement with the Treasury Team.

Payment Terms are within 30 days but payments have been accelerated to within 20 days or earlier where possible.

Service areas and contracting managers must contact the Payments Manager as soon as a dispute over payment has arisen with a view to resolving as a matter of urgency.

Service areas will be contacted urgently to confirm receipting where an invoice has been received by the Payments Team.

Service Areas should review and consider their future Procurement Card use and contact the GPC Admin Team gpcadmin@iow.gov.uk for increase in card limits or advice on new applications. New applications can take up to 10 days to be processed at the bank.

Service Areas must ensure that all suppliers follow the correct process for sending invoices via PDF to iwcinvoices@iow.gov.uk. There is clear guidance at <https://www.iow.gov.uk/Business/Contract-Opportunities/Creditor-Payments/Invoice-Payments>.