

# PUBLIC CONTRACTS REGULATIONS 2015 30-DAY PAYMENT RULE

This guide is to provide you with the update to the 30-day payment rule on public sector contracts. The requirements for the rule in effect are outlined below and some examples are given to help better understand the process.

DOES YOUR CONTRACT / SUB CONTRACT RELATE TO UK  
GOVERNMENT WORKS OR WORKS BY ENGLISH PUBLIC BODIES?

THEN CHECK THE PAYMENT PROVISIONS TO ENSURE THAT THEY  
COMPLY WITH THE PUBLIC CONTRACTS REGULATIONS 2015

## 1. WHO DO THE REGULATIONS APPLY TO?

Regulation 113 of the Public Contracts Regulations 2015 applies to public sector contracts entered into by:

- ▶ UK government departments, agencies and non-departmental public bodies (i.e. government quangos), and
- ▶ English public bodies (e.g. local authorities). These are collectively referred to in the Regulations as “contracting authorities”.<sup>1</sup>

Regulation 113 imposes a duty on contracting authorities to ensure that contracts with their tier 1 contractors contain a requirement to make payments within 30 days.

They must also ensure that clauses to the same effect are contained in each tier of the supply chain given that sub-contracts are defined as meaning:

**“a contract between two or more suppliers, at any stage of remoteness from the Authority in a sub-contracting chain, made wholly or substantially for the purpose of performing (or contributing to the performance of) the whole or any part of the Agreement.”**

Where such requirement is absent from the contract (or sub-contract) there is, in any event, a term implied by Regulation 113(6) that payment must be made within 30 days.

This means that even if the payment periods stated in your contract are more than 30 days, you still have a statutory right to be paid within 30 days. Where payments are made later than the 30 days you have a right to levy statutory interest.<sup>2</sup>

<sup>1</sup> A contracting authority which is a maintained school (funded by a local authority) or an Academy, (funded by government), is exempted from Regulations 113.

<sup>2</sup> Under the Late Payments of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2002 and 2013.

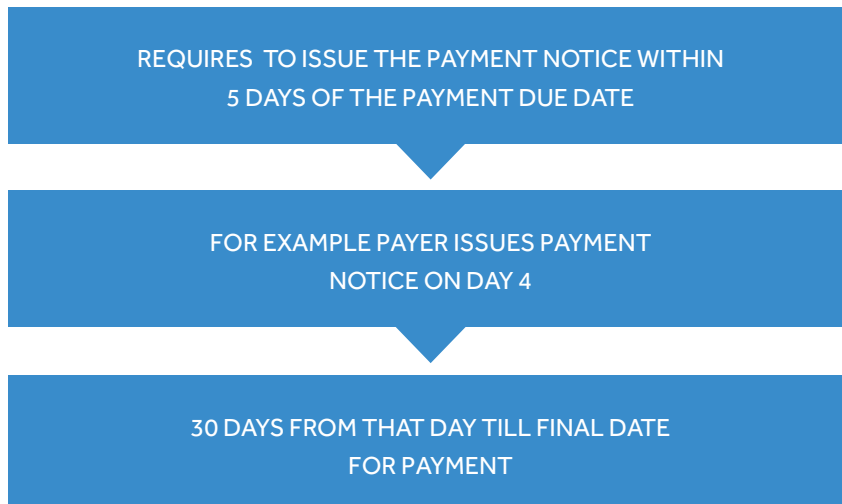
## 2. WHEN DOES THE 30 DAYS START FROM?

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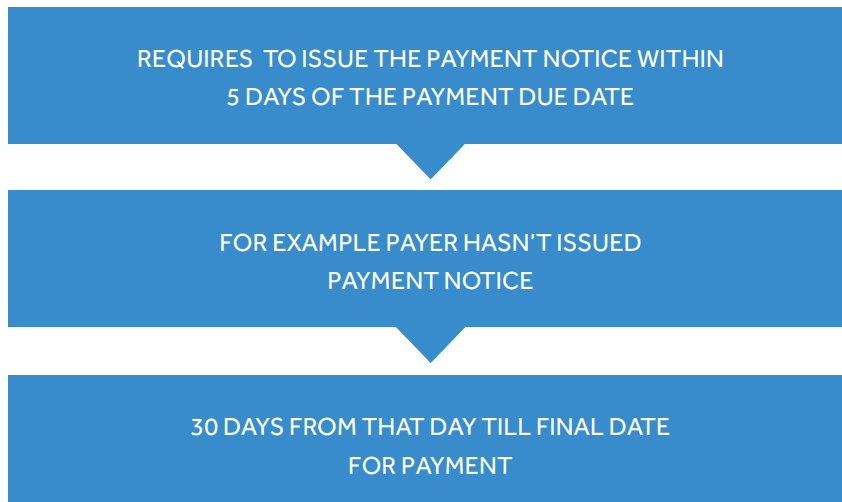
The answer under Regulation 113 is the point at which invoices are verified as being valid and undisputed, but this is not easily aligned with the statutory payment notice procedure in construction contracts.<sup>3</sup>

Therefore, the statutory guidance issued under Regulation 113 advises that the start dates for the 30 days under construction contracts are as follows:<sup>4</sup>

### EXAMPLE 1



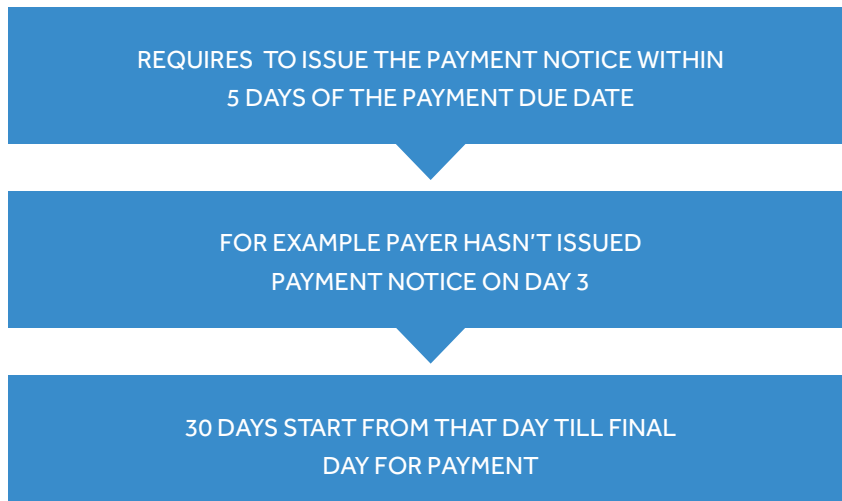
### EXAMPLE 2



<sup>3</sup> Under section 111 of the amended Housing Grants etc. Act 1996.

<sup>4</sup> That is, where the construction contract is within the scope of the amended Housing Grants etc. Act 1996 (as amended).

### EXAMPLE 3



## 3. SUMMARY

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This step forward marks a quantum leap in Government ensuring fair and consistent payment periods throughout supply chains on public sector contracts in order to ensure stability of supply chains and ethical commercial behaviour.