

Taking account of a supplier's approach to payment in major contracts procurement (PPN015 and PPN018): What is new?

16 December 2024  Athina Agraftoti

The Cabinet Office has issued two new procurement policy notes on a supplier's approach to payment in the procurement of major contracts, Procurement Policy Note 015 (PPN015) and Procurement Policy Note 018 (PPN018).

We consider each of these in turn below.

PPN015

This PPN015 replaces PPN 10/23 and takes effect from the 24 February 2025, i.e., any procurements commenced on or after this date, in accordance with the Procurement Act 2023 (Act) and the Procurement Regulations 2024 (Regulations), until the 30 September 2025. This does not introduce any new obligations on contracting authorities, instead it ensures that this procurement policy note applies to procurements carried out in accordance with the Act and Regulations.

As a reminder, PPN 10/23 applies to contracts where the anticipated value of such contract awarded in accordance with a framework agreement or dynamic purchasing system is greater than £5 million per annum (excluding VAT). PPN 10/23 requires contracting authorities to use the questions in Part 3 (Technical and Professional Ability) of the [Cabinet Office's Standard Selection Questionnaire](#). This allows bidders to demonstrate they are paying 95% of invoices within 60 days (90% with an action plan), and also paying all their invoices within an average of 55 days. It would then be appropriate for contracting authorities to exclude any bidder who could not demonstrate compliance with these requirements, i.e., that they have an effective system in place.

The requirements of PPN015 apply to any public contract for the procurement of goods and/or services and/or works, where the estimated value of any individual contract to be awarded under either a framework agreement or a dynamic market is greater than £5 million per year (inclusive of VAT) unless in exceptional circumstances it would not be relevant or proportionate to do so having regard to the nature, cost and complexity of a contract. It also applies to contracts awarded under framework agreements and dynamic markets where the estimated individual value of each contract to be awarded is greater than £5 million (inclusive of VAT). The requirements of PPN015 do not apply to 'special regime contracts' as set out in Section 10 of the Act, i.e., a concession contract, a defence and security contract, a light touch contract or a utilities contract.

PPN015 requires contracting authorities to raise queries at the selection questionnaire stage of procurements (i.e., as part of its conditions of participation) to determine whether a bidder who is intending to use a supply chain to deliver the contract being procured, has effective payment systems in place to ensure reliability of that supply chain. In particular, consideration of two aspects of the supply chain management system:

1. *whether the supplier has paid its suppliers following the contractual terms that it applies to its supply chain; and*
2. *whether, overall, the supplier has paid its suppliers promptly by:*
 - a. *paying at least 95% (at least 90% if an action plan is provided) of invoices within 60 days, which is considered an appropriate measure of overall payment promptness, and;*
 - b. *meeting the average payment days threshold of at least 55 days for all invoices.*

It would be considered appropriate for a bidder who could not demonstrate reliability within its supply chain, i.e., who fails to meet the conditions of participation, to be excluded from the procurement. The contracting authority should take into account the information given with regards to a bidder's self-declarations, an assessment of the bidders' systems, and its recent payment performance. It should be noted that if a bidder cannot verify its self-declarations through evidence provided, then a contracting authority may also exclude the bidder from the process.

The Cabinet Office has issued the following guidance to assist contracting authorities in implementing PPN015: 'Guidance on how to take account of a supplier's approach to payment in the procurement of major contracts' (PPN015 Guidance). The PPN015 Guidance provides contracting authorities with questions to be used as part of its Conditions of Participation to comply with this PPN015 (see Annex A of the PPN015 Guidance) and the proposed assessment methodology for those questions.

PPN018

This PPN018 will take effect from 1 October 2025 and will replace PPN015. This will be applicable to any procurements which have been advertised (this includes publication of a planned procurement notice or preliminary market engagement notice) on or after 1 October 2025.

The requirements of PPN018 are applicable when a contracting authority is awarding a public contract for goods and/or services and/or works with an expected value of above £5 million per year (including VAT) in accordance with the Act and Regulations, except where in exceptional circumstances it would not be relevant or proportionate to do so having regard to the nature, cost and complexity of a contract. It also applies to contracts awarded under framework agreements and dynamic markets, where the estimated individual value of the contract awarded under these is greater than £5 million per year (including VAT). As with PPN015, the requirements of PPN018 do not apply to special regime contracts.

Similarly, to PPN015, PPN018 requires the inclusion of specific questions at the selection questionnaire stage, i.e., conditions of participation, to require a bidder to demonstrate that it has a reliable supply chain. The key difference here to PPN015 is that PPN018 introduces a reduction in the average payment days threshold which suppliers must meet to demonstrate that they have effective payment systems in place to ensure reliability of the supply chain. Essentially, a bidder must demonstrate that it is paying at least 95% of invoices within 60 days (90% with an action plan), and also paying all its invoices within an average of 45 days.

The Cabinet Office has also issued guidance on this PPN018, 'Guidance on how to take account of a supplier's approach to payment in the procurement of major contracts' (PPN018 Guidance), which should be considered by all contracting authorities. As with the PPN015 Guidance, the PPN018 Guidance provides contracting authorities with questions to be used as part of its conditions of participation to comply with this PPN018 (see Annex A of the PPN018 Guidance) and the proposed assessment methodology for those questions.

Next steps

In summary:

- there are no immediate changes for contracting authorities to implement;
- any procurements which are commenced prior to 24 February 2025 should be carried out in accordance with the Public Contracts Regulations 2015, and the requirements of PPN 10/23;
- contracting authorities should note the inclusion of new questions to be raised at the selection stage/conditions of participation for any procurement to be commenced on or after 24 February 2025 until the 30 September 2025, in accordance with PPN015; and
- for any procurements to be commenced on or after 1 October 2025, the inclusion of new questions to be raised at the selection stage/conditions of participation in accordance with PPN018.

Should you have any queries in relation to PPN015 or PPN018 or require any assistance in preparing conditions of participation for any procurements commenced in accordance with the Act, Regulations and PPN015 and/or PPN018, please do get in touch with the procurement team and we would be delighted to help.

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