



MINISTRY OF DEFENCE

# Contract Payment Guide

June 2010

## CONTENTS

MESSAGE FROM THE HEAD OF THE FMSSC .....	3
INTRODUCTION.....	3
CONTRACT PAYMENT PROCESS .....	4
Obtaining the correct forms: .....	4
Completion of the invoice form: .....	4
Receipting/Certifying of invoices: .....	4
Entering the correct pricing details: .....	5
Sending your invoices to FMSSC:.....	5
Rejected invoices: .....	5
PAYMENT TIMESCALE .....	6
PAYMENT METHODS.....	6
Bankers' Automated Clearing Services (BACS): .....	6
Payable Order: .....	6
Foreign Currency or Sterling outside the UK: .....	6
ADDITIONAL INVOICING INFORMATION .....	7
Making Supplementary Claims: .....	7
Overpayments: .....	7
Emergency Procedures: .....	7
Changing your company name, address or legal title:.....	7
Construction Industry Taxation Scheme:.....	7
GUIDANCE ON FORMS FOR CONTRACT INVOICING.....	8
MOD Form 640:.....	8
FORM AG169 - Claim for Progress Payments:.....	9
FORM AG173 - Supplier's Invoice:.....	9
FORM AG210 - Claim for Stage Payments:.....	9
Adaptation of Forms: .....	9
OBTAINING FORMS .....	9
FREQUENTLY ASKED QUESTIONS.....	11
CONTACT POINT .....	12
YOUR COMMENTS.....	12
GLOSSARY OF TERMS.....	13

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## MESSAGE FROM THE HEAD OF THE FMSSC

The Ministry of Defence is fully committed to supporting the Government's drive to improve the payment culture in the United Kingdom. In the Shared Service Centre, our aim is to pay 80% of correctly presented invoices within 5 working days of receipt, in accordance with the Government's prompt payment initiative. Quite a tall order, given that in the region of 5 million invoices can be processed annually.

To help us achieve our objective it would be appreciated if you could read this guide and comply with the requirements for invoice submissions. By doing this you will help ensure that payments are made without undue delays and we can only succeed with your co-operation.

**Please help us to help you by reading this guide and acting on it.**

Please remember the importance of providing bank details, and notifying us of changes, so that we can pay you through the Bankers' Automated Clearing Services (BACS). This ensures you receive payment notification the day after payment is made, with cleared funds in your account two days later.

We know there is always room for improvement, so please let us know if you have any suggestions or comments which would help. I hope that you find this guide helpful and we welcome any feedback in respect of improvements to the content. Contact details can be found at the back of the guide.

**HEATHER TAYLER**

Head of the Financial Management Shared Service Centre

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## INTRODUCTION

This guide is for contract payments only, although it does not apply to goods and services covered by the electronic P2P purchasing arrangements. The P2P procedures for invoicing are notified to suppliers when they become 'P2P enabled'.

Occasionally the Ministry of Defence purchases low value goods or services on a one-off basis without the need for a contract. The payment of subsequent invoices for these goods or services is made through our miscellaneous invoicing system. In such cases you should submit a commercial invoice to the MOD branch that placed the order, quoting a unique invoice reference number. The branch will then authorise FMSSC to make a payment to you through our miscellaneous invoicing system. All queries regarding payment must be directed through the branch concerned as they will have access to all the supporting papers. When submitting your invoice to the MOD Branch for payment it is advisable to obtain a contact name etc. in case you have any queries.

If you are in doubt over where the invoice is to be submitted, you should check with the MOD branch which issued the contract or order.

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## CONTRACT PAYMENT PROCESS

### *Obtaining the correct forms:*

It remains MOD policy to use standard invoice forms for all contracts rather than to accept commercial invoices. This is regardless of value or volume of invoices. The forms are designed to provide FMSSC and other divisions of MOD with comprehensive information. The invoicing system within FMSSC is automated and designed for high speed processing to cater for extremely high volumes of invoices. For details of the correct invoice payment forms please refer to the DEFFORM 522A, which is in your contract documents.

The most frequently used forms are the MOD 640 (for the supply of goods) and the AG 173 (for the provision of a service). However there are other forms in use so you must check the DEFFORM 522A. (Where you can obtain copies of the forms is covered in this guide under Obtaining Forms)

### *Completion of the invoice form:*

The areas which can affect payment are:

**The supplier's name and address field** – The company name quoted on the invoice must be exactly the same as on the contract documents. Any differences will result in your invoice being returned.

**The contract number field** – Every contract let with the MOD will have been allocated a contract number, which is quoted on all contract documents. This must be quoted exactly as per the contract documents – any differences may cause difficulties in identifying the correct authority for payment and delays could ensue.

**Supplier's Invoice reference field** – This field is for you to provide FMSSC with a unique number that will enable you to cross reference the payment to your records and this must be completed. There can be a maximum of 10 characters alpha/numeric. This is a mandatory field; failure to complete with a unique invoice reference may result in delayed payments or you may have problems reconciling your payments with the Remittance Advice if you do not input a unique reference number meaningful to your company.

*Please Note:* Only use the characters available on a standard keyboard, the following "rogue" characters **must not** be used: £ \$ & ' [ ] { } é ÷ É ;

**Description of goods /services** – You must only claim for items which have already been agreed in the contract or in a formal contract amendment /price letter. If an item has been ordered but prices have not been formally accepted then you should not submit your claim until formal acceptance of prices has been received from the MOD Commercial Branch.

### *Receipting/Certifying of invoices:*

The invoice must be submitted for receipt by the appropriate MOD branch as detailed in your contract. Every contract or certification clearly states whether invoice forms must be RECEIPTED by the recipient of the goods /services known as the consignee, or CERTIFIED by another MOD representative known as the certifying officer. If in doubt, contact the MOD Commercial Branch that issued the contract. The consignee/certifying officer will receipt/sign off the invoice once they have received the goods or services and are content that they are in accordance with what has been demanded. Once signed and dated they will then return the completed form back to you.

Make sure you quote the full address to which the invoice form is to be returned. When you receive the invoice back, check that each individual invoice has been clearly signed, dated and endorsed with the branch stamp. Please remember this is an important step in the process as **your invoice will not be paid without the correct receipt or certification.**

#### ***Entering the correct pricing details:***

The prices quoted must be those agreed in your contract or contract amendment/price letter. It will help FMSSC in checking your claim if you quote the amendment number or the date of the price letter.

#### ***Sending your invoices to FMSSC:***

Invoices should be sent to FMSSC under cover of form 'DAB 10'. (The DAB 10 form can be downloaded from the FMSSC Website at [www.mod.uk/FMSSC](http://www.mod.uk/FMSSC)) This form acts as a Summary Claim and control document to ensure the number and value of invoices received equates to the values stated on the front of the form. The DAB 10 also enables you to keep a record of invoices submitted to FMSSC.

An additional advantage of the DAB 10 is that it serves as your tax invoice, preventing you being liable for output VAT while other invoice forms go through receipt, acceptance and authorization processes.

DAB 10s and receipted invoice forms are to be addressed as below. Please mark the envelope/package "Supplier's Invoice" in the top left-hand corner and your company name in the bottom right-hand corner.

Suppliers are advised of the correct address to be used for invoice submission, (once receipted as per normal contract procedures). The address must include the invoice group title, floor and zone, for e.g.:

Financial Management Shared Service Centre  
Invoice Process Group... *(State group number as advised)*  
Floor..., Zone..., *(State Floor number and Zone as advised)*  
Walker House  
Exchange Flags  
**LIVERPOOL**  
L2 3YL

Payment may be delayed if invoices are not correctly addressed using this **essential** information.

If you are unsure of the group / floor zone details relevant to you, please [contact FMSSC](#)

The acceptance of suppliers' claims at FMSSC is restricted to 0700-1900 hours Monday to Friday.

#### ***Rejected invoices:***

An invoice, or part of an invoice, will not be paid unless it has been submitted in accordance with the terms of your contract with the MOD. The most common discrepancies are:

- **Incorrect company title.** The title must match that in the contract. MOD contracts can not be transferred to another title without MOD's prior agreement
- **Incorrect contract number or no contract number quoted**
- **Item/part number not in contract or not at price quoted.** Any changes to the contract

price must be agreed by the relevant contracts branch detailed in the contract

- **Commercial invoice submitted** rather than the MOD form quoted in the payment clause of the contract
- Invoice Form or MOD F640 delivery note **not receipted/certified by the consignee**.
- Claim submitted for goods or services **outside the timescales defined** in the contract

Should we disallow or reduce your invoice we will always send you a letter explaining why. In each case, the problem must be rectified before resubmitting your invoice for payment.

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## PAYMENT TIMESCALE

Our target is to pay 80% of correctly presented invoices within 5 working days after receipt by FMSSC and all invoices within 11 calendar days. You must provide FMSSC with your bank account details to enable payment to be made by BACS. You will be sent a Remittance Advice giving full details of all payments made to you, including your unique invoice reference number. Please do not hasten any outstanding payments before the 11 day target has passed.

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## PAYMENT METHODS

### *Bankers' Automated Clearing Services (BACS):*

MOD expects all suppliers to provide their bank details to enable electronic payment. For Sterling payments in the UK this is achieved through BACS. The BACS system works on a 3-day cycle.

- Day 1 - the day FMSSC transmit the payment details to our bank
- Day 2 - a day for our bank to process the payment through to your bank
- Day 3 - the payment is transferred into your bank account.

Bank account details should be provided, and updated using our BX177 form. This can be found, along with completion details, on the FMSSC Website at [www.mod.uk/FMSSC](http://www.mod.uk/FMSSC)

### *Payable Order:*

The only other payment method FMSSC use is Payable Order. The Payable Order is the MOD "cheque". As well as being more inconvenient for the supplier than BACS, such payments present a greater risk of fraud or loss. Payment is also slower. As well as the postal delay, the payable order has to clear through the bank's clearance system before the money is available to you. For these reasons, Payable Orders are only used in exceptional circumstances.

### *Foreign Currency or Sterling outside the UK:*

FMSSC can make electronic foreign currency and international payments, when agreed in the contract, by wire transfer. Payments for the majority of European countries require the IBAN (International Bank Account Number) and the BIC code (Bank Identifier Code). IBANs always start with a two digit alpha country code (i.e. GB for Great Britain) and a combination of bank account number, sort code, branch code etc. Before a foreign payment can be authorised you will need to provide your bank details using our CX723 form. This can be found, along with completion details, on the FMSSC Website at [www.mod.uk/FMSSC](http://www.mod.uk/FMSSC)

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## ADDITIONAL INVOICING INFORMATION

### *Making Supplementary Claims:*

If you have previously under-claimed or if there has been an agreed price increase - On an AG173 form, mark "Supplementary" across the top in red ink. Cross-refer the details to the previous payment, include the previous invoice reference and quote the date and reference of any letter or contract amendment which authorised the extra payment. The supplementary AG173 does not need to be certified and can be submitted directly to FMSSC.

Please note: if your additional invoice is for service provision for which you have not previously made a claim, certification by the consignee will be required to confirm the services were satisfactorily delivered before payment can be made.

### *Overpayments:*

Occasionally overpayments are discovered after payment has been made. It is MOD policy to recover any money overpaid as quickly as possible. When an overpayment is discovered FMSSC will recover the amount overpaid from our next payment to you. If we are unable to recover the money from your next payment we will ask you to refund the sum due immediately.

Whichever method of recovery is chosen you will be provided in writing with full details of the overpayment.

### *Emergency Procedures:*

In an emergency situation where the FMSSC is unable to process under its' normal procedures, (e.g. a postal strike), interim procedures will be communicated via the notice board on our website, and by press announcements.

### *Changing your company name, address or legal title:*

If you change the name and/or address of your company, you must inform FMSSC **immediately in writing**. For all company title changes you must also inform:

Defence Equipment & Support (DE&S),  
CPET,  
Larch 2A, #2207  
Abbey Wood,  
**BRISTOL**  
BS4 8JH.

### *Construction Industry Taxation Scheme:*

If your contract includes construction work, you should already have provided the MOD Commercial Branch with your verification details i.e. Verification Number, Unique Tax Reference Number, Date of Verification and National Insurance Number (if you are a sole trader). These details will be passed to FMSSC by the Commercial Branch so that we can make the required monthly return to HMR&C.

If you have been verified by HMR&C with a status of MATCHED NET, 20% of the labour element of your invoice will be deducted and forwarded to HMR&C.

If you have been verified by HMR&C with a status of GROSS, the full amount of your claim will be paid to you.

If you have not been verified by HMR&C a deduction of 30% of the labour element of your invoice will be made and forwarded to HMR&C.

A monthly statement will be sent to you showing the total of all payments made to you in the previous month.

Please note that if your company title changes and HMR&C have given you new verification details, you must immediately advise the relevant MOD Commercial Branch.

If the work you have carried out for the MOD is not covered by a MOD contract, you will be paid under the Miscellaneous Payments System.

The MOD branch for whom you have carried out the work will require your verification details. The same rules apply in that the relevant deductions will be made, or you will be paid the full amount of your claim depending on your verification status.

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## GUIDANCE ON FORMS FOR CONTRACT INVOICING

### *MOD Form 640:*

This form is the most commonly used of all the invoicing forms. It has five separate parts, each denoted by a different colour and each with its own particular role in the delivery/payment cycle as follows:

COLOUR	TITLE	PURPOSE/ACTION
<b>Brown</b>	Payment Copy	Provides proof of delivery and the details of your claim. You should ensure that it is receipted and fully completed before submitting this copy to FMSSC for payment under cover of a Form DAB 10
<b>Red</b>	Packing copy	This must accompany the stores
<b>Yellow</b>	Supplier's Copy	You should retain for your own records
<b>Green</b>	Advice copy	You should send this to the consignee as advice of the consignment
<b>Mauve</b>	Information copy	If this copy is required, dispatch instructions will be contained in the contract.

If you lose the brown copy of the MOD Form 640 you may apply to FMSSC for a substitute. Before requesting a replacement F640, and to ensure that the original form is not just delayed in the post, suppliers must check with the consignee to gain confirmation that the original has either not been received or has been receipted but subsequently lost in transit.

Please note: the FMSSC will not commence action to replace the lost Form 640 until day 20 at the very earliest. This is because MOD depots and delivery points are committed to undertake receipting action within 19-days following delivery.

If the endorsed brown copy of the MOD Form 640 is confirmed as lost, you may apply for a substitute by writing to FMSSC and enclosing a photocopy of the Yellow copy of the form. FMSSC will then dispatch a Form 639 (replacement F640) to the consignee for endorsement.

We will advise you within 10-working days that this action has been taken, **please do not query your submission during this time.**

When the consignee has endorsed the MOD Form 639 it will be returned to you for submission to FMSSC for payment, under cover of form DAB 10.

If the consignee of the goods is overseas (including HMS Ships Afloat) then please follow the instructions on the reverse of the yellow copy 640. This will ensure prompt payment of any claims submitted.

#### ***FORM AG169 - Claim for Progress Payments:***

This only applies to contracts with a DEFCON 35 clause. Progress payments relate to a supplier's actual expenditure and you will therefore be required to certify the form.

#### ***FORM AG173 - Supplier's Invoice:***

This form is mainly used where a service (rather than stores) has been provided. Your contract will specify whether you should use this form. If you need a replacement AG173 raise a new form and clearly mark "Replacement" on it in red. The new form must be stamped and signed again by the consignee to confirm that the service has been received.

#### ***FORM AG210 - Claim for Stage Payments:***

This form is used where payments are linked to the achievement of stages or milestones. Before claiming payment, you must ensure that your claim is certified by the authority named in the contract to verify that the stage/milestone has been achieved. If you need a replacement AG210 raise a new form and clearly mark "Replacement" on it in red. The new form must be stamped and signed again by the consignee to confirm that the service has been received.

#### ***Adaptation of Forms:***

Suppliers may prefer to use forms which are in a format tailored to their own office machinery. FMSSC is willing to accommodate such adaptations provided the forms are compatible with our own systems. To speed up the application process, a written submission needs to be provided detailing the proposed adaptation, ideally accompanied by a draft copy of the form. Submissions should be e-mailed or sent to the addresses below:

Financial Management Shared Service Centre  
IP Business Support,  
1<sup>st</sup> Floor, Zone A  
Walker House,  
Exchange Flags,  
**LIVERPOOL**  
L2 3YL

E-mail: [DFM-FMSSC-BS-HELPshared@mod.uk](mailto:DFM-FMSSC-BS-HELPshared@mod.uk)

**Only approved adaptations may be used** – Using unauthorised forms could result in payment delays.

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## **OBTAINING FORMS**

Your contract with MOD explains what forms you should use when submitting your claim for payment. If you need further clarification, you should check with the relevant commercial branch. The key invoice payment forms can be downloaded via the FMSSC Website at

[www.mod.uk/FMSSC](http://www.mod.uk/FMSSC)

*N.B.* Many of the forms are double-sided documents. If you do not have the facility to print double-sided, you must ensure that any such forms downloaded from the website are reproduced as a single back-to back-document, before completion and onward submission to the relevant certifying officer within MOD. Claims involving double-sided forms, which are submitted for payment as two separate sheets **will not be considered valid** and may be returned unpaid.

Supplies of **MOD FORM 640** can be obtained from:

**Forms & Publications Section**

DSDA Operations Centre,

Building 16, Site C,

Lower Arcott

**BICESTER**

OX25 1LP

Tel : 01869 256052

Fax : 01869 256824

E-mail: [desdsda-formsandpubs@mod.uk](mailto:desdsda-formsandpubs@mod.uk)

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## FREQUENTLY ASKED QUESTIONS

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### Q) Have you received my invoices?

- A) We offer an automated email notification service. We will email your nominated address to confirm receipt of your invoices, and advise the expected date of payment into your account, subject to checking. If you wish to take advantage of this service, please quote the appropriate email address on your DAB10 summary form when you submit your invoices for payment.

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### Q) When can I expect payment?

- A) We aim to pay 80% of correctly presented invoices within 5 working days and all invoices within 11 calendar days. To help maintain this standard of performance, please do not contact the FMSSC with queries regarding payment during this period, as we will only advise patience.

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### Q) Has my payment been delayed in the post?

- A) FMSSC regret that suppliers who opt for payments by post may on occasion experience delays beyond our control. To avoid delays, suppliers should change their payment method to electronic bank transfer.

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### Q) Can I have another copy of your Remittance Advice with a payment breakdown?

- A) A remittance is sent, or can be emailed, to the nominated address in your organisation; if you require further copies, we would expect you to arrange this internally with your nominated recipient. To nominate an email address for automatic Remittance Advice delivery, please post or fax your request on company letter headed paper quoting your supplier code and the relevant email address, and send to:

**Post:** FMSSC External Contact Point  
1<sup>st</sup> Floor, Zone A  
Walker House  
Exchange Flags  
**LIVERPOOL**  
L2 3YL

**Fax:** 0151 242 2197

**Email:** Alternatively your request can be sent as an attachment and emailed to us at:

[DFM-FMSSC-BS-helpshared@mod.uk](mailto:DFM-FMSSC-BS-helpshared@mod.uk)

It is advised that a multi-user/shared email address is nominated.

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### Q) Can you explain the payment reference on the Remittance Advice?

- A) We will quote your reference number as stated on your invoicing forms. To help identify payments, please use a reference meaningful to you. FMSSC require you to complete this field. A common problem occurs when the invoice reference field is left blank.

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### Q) Why has money been debited from the payments I expected

- A) Any debit amounts will show an invoice reference. A separate notification will have been sent to you quoting this reference to advise why money is being recovered from monies due to you. This could be due to a pricing adjustment, recovery of a previous overpayment or set-off of an overdue MOD invoice. MOD regards debt as being due from the registered company, not from individual sites within that company. Any accounting adjustments should be arranged internally within your company.

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## CONTACT POINT

Financial Management Shared Service Centre  
External Contact Point  
1<sup>st</sup> Floor, Zone A  
Walker House  
Exchange Flags  
**LIVERPOOL**  
L2 3YL

Website : [www.mod.uk/FMSSC](http://www.mod.uk/FMSSC)

E-mail : [DFM-FMSSC-BS-HELPshared@mod.uk](mailto:DFM-FMSSC-BS-HELPshared@mod.uk)

Contact Point : 0151 242 2000

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## YOUR COMMENTS

Customer feed back is an essential part of our business development process and we would be grateful for your comments. You may submit these via e-mail or in writing to the above Contact Point.

## GLOSSARY OF TERMS

ITEM	EXPLANATION
COMMERCIAL BRANCH (CB)/CONTRACTING AUTHORITY	Staff who prepare and issue the contract documents and amendments. It is their job to settle prices and to agree contract terms. They send a copy of the contract to the Invoice Paying Branch stipulated in the contract. These procedures only cover those contracts where Liverpool is the nominated invoice paying authority.
CONSIGNEE	The MOD unit or establishment to which you have dispatched your goods. The consignee's main role in the invoice payment process is to provide evidence of the receipt of stores. N.B. This receipt is the basis of your claim for payment.
CONSIGNOR	Your Company
DAB 10 REFERENCE	A unique reference provided by you on each Form DAB 10 for identification purposes.
INVOICE PAYING AUTHORITY	Staff responsible for making payment in accordance with the terms of a MOD contract. They check that the goods have been ordered, that there is evidence of delivery/performance and that the prices or interim payments are claimed as stated in the contract.
INVOICE REFERENCE	A unique reference provided by you (e.g. your invoice reference) to assist in identifying each invoice form. The reference will appear on the Remittance Advice sent out by FMSSC to support your payments
MOD STOCK REFERENCE	A reference provided in the contract if applicable.
ORDER/WARRANT NUMBER	A reference used on an order/warrant raised against enabling arrangements.
P2P	MOD's electronic purchasing tool. It enables electronic ordering, receipting and invoicing.
PKG CODE	Packing code: a reference provided in the contract if applicable.
SUPPLIER CODE	A five-digit code assigned by FMSSC to each supplier for identification purposes.
SUPPLIER'S INVOICE REFERENCE	See "Invoice Reference" above.
SUPPLIER'S NAME AND ADDRESS CODE	A code comprising the five-digit supplier code (see above) and a two-digit code also assigned by FMSSC to identify a particular payment address.
TECHNICAL (OR PROJECT) AUTHORITY	Staff who are responsible for financially authorising all work before it is put to contract and for monitoring the contract. One of the key roles is to countersign claims for interim payments if these are specified in the contract.