



Llywodraeth Cymru
Welsh Government

E-Invoicing

**Procurement Advice Note (PAN)
for the Public Sector in Wales**

Contents

Section

1. Introduction
2. Setting the Scene – Public Procurement in Wales
3. What is e-invoicing?
4. Benefits of e-invoicing
5. Legislation on e-invoicing
6. Checking your e-invoicing Readiness
7. Policy Position in Wales
8. Crown Commercial Services (CCS) PEPPOL Framework
9. Acknowledgements
10. Frequently Asked Questions (FAQs)

1. Introduction

(i) Point to Note

The information set out in this Procurement Advice Note is not legal advice and is not intended to be exhaustive – contracting authorities should seek their own independent advice as appropriate. Please also note that the law is subject to constant change and advice should be sought in individual cases. This document is correct as at April 2019.

(ii) Issues Addressed

The aim of this Procurement Advice Note (PAN) is to provide public sector organisations in Wales with more information on e-invoicing, the new e-invoicing Directive and to clarify the approach in Wales. It is likely to be useful for procurement and finance staff in public sector organisations and for suppliers that want clarification on the approach in Wales.

2. Setting the Scene – Public Procurement in Wales

Public procurement in Wales is underpinned by the Wales Procurement Policy Statement (WPPS) which contains the principles against which the Welsh Government expects public procurement to be undertaken. The WPPS can be accessed via the link below:-

<http://gov.wales/topics/improvingservices/better/vfm/publications/procurement-policy-statement/?lang=en>

E-procurement is promoted in the WPPS, recognising the efficiencies it can bring and it is expected that procurement processes should be based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.

To assist with this, the Welsh Government provides access to eProcurement tools to improve electronic procurement within Welsh Public Sector organisations.

The public sector commitments in WPPS include adopting and embedding common procurement approaches and making best use of available e-procurement tools.

3. What is E-Invoicing?

E-invoicing is a web-based service that facilitates the secure exchange of information between buyers and suppliers.

European Directive [2014/55/EU](#) on e-invoicing (introduced in 2014 and covered in more detail below) provides a clear definition of an electronic invoice as “*an invoice that has been issued, transmitted and received in a structured electronic format which allows for its automatic and electronic processing.*”

In 2015, the ‘Making it Happen’ report was published, on behalf of the UK National E-invoicing Forum and based on data from the iGov 2015 Survey. Welsh Government represent the public sector in Wales on this forum. The report offers guidance to local government organisations in achieving e-invoicing excellence and provides a snapshot of e-

Invoice use within Local Government across the UK. You can access the report here:- [Making it Happen - eInvoicing Report.pdf](#)

4. Benefits of e-invoicing

There are many benefits of switching from paper invoices to e-invoicing, including improved efficiencies for buyers and suppliers, financial benefits and environmental advantages. Here are some examples:-

- Reduced manual work can provide for workforce efficiencies
- Reduces postage, paper, envelopes & labour costs associated with paper invoices
- More environmentally friendly / reduced carbon footprint - removes the printing, sending, storing and destroying of paper
- Reduced administrative costs, less errors and eliminates late payment fees
- Increased savings – estimated at 64% for buying organisations and 59% for suppliers (see FAQ p.8)
- Improved cash collection through quicker invoice approval processes
- Reduction in overall cost of credit control and debt management
- Increased security / invoice visibility / control of data / cash flow

5. E-Invoicing Legislation

In 2014, the European Commission introduced a new e-Invoicing Directive [2014/55/EU](#) and European Standard for e-invoicing. This was to try and standardise the various e-invoicing formats used across the EU which cause unnecessary complexity and high costs for businesses and public bodies. More information on the legislation and standard can be accessed via:

<https://ec.europa.eu/cefdigital/wiki/display/CEFDIGITAL/European+legislation+on+eInvoicing>

In March 2019, the UK Parliament passed Statutory Instrument (SI) [The Public Procurement \(Electronic Invoices etc.\) Regulations 2019](#) in order to transpose the Directive into UK law. The SI comes into force as of 18 April 2019 and takes the effect of amending several pieces of procurement legislation, most notably the Public Contracts Regulations 2015 (PCR 2015), to allow for e-invoicing as per the EU Directive.

The new Standard is based on the two syntax formats of UBL and UN/CEFACT. The semantic data model of the core elements of an electronic invoice and the list of syntaxes is available for download from the British Standards Institute's online shop via the following link: <https://shop.bsigroup.com/Navigate-by/Standards/>

The Directive applies to e-invoices that a supplier may choose to submit under a contract that is within the scope of Directives 2009/81/EC, 2014/23/EU, 2014/24/EU and 2014/25/EU (the Procurement Directives) – i.e. public contracts for works, services and supplies awarded by contracting authorities (including in the field of defence and security) and by utilities in the water, energy, transport and postal services sectors and works and services concession contracts awarded by contracting authorities and utilities.

The practical effect is that suppliers will have the choice to submit e-invoices for contracts falling within the scope of the Procurement Directives and if they choose to submit an e-

invoice and that e-invoice complies with the requisite standard, the e-invoice must be processed electronically. Consequently, contracting authorities need to be capable of receiving and processing e-invoices received from suppliers which comply with the standard. Suppliers will be able to issue invoices in other formats / standards or paper based formats provided this is agreed with the contracting authority.

The Commission has stated that national rules will remain valid so their initiative 'will result in a norm and not in a European e-invoicing infrastructure'. Service providers on the market will provide the latter.

5.1 Timescales

The UK Government has transposed the directive into UK law with effect from 18 April 2019. The e-invoicing timetable, set out in Directive 2014/55/EU is as follows:-

- E-invoicing standard published by Commission in October 2017
- All central government bodies* to implement e-invoicing within 18 months of publication of standard (18 April 2019)
- All other contracting authorities** (non-central bodies) to implement e-invoicing within 12 months of publication of standard (April 2020)

*Central government bodies are listed in the PCR 2015 Schedule 1 (as amended) and includes the Welsh Ministers (i.e. Welsh Government), National Assembly for Wales Commission, Welsh Language Commissioner, The Wales Office (Office of the Secretary of State for Wales), Arts Council of Wales, Care Council for Wales, National Museum Wales, National Library of Wales, Natural Resources Wales, Royal Commission on the Ancient and Historical Monuments of Wales, Sport Wales, Welsh NHS Bodies, Higher Education Funding Council Wales, Local Democracy and Boundary Commission for Wales, HMCS Regions, Crown, County and Combined Courts (England and Wales), Legal Aid Agency (England and Wales), Supreme Court Group (England and Wales).

** Contracting authorities are defined in PCR 2015 and means "the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities".

6. Checking your e-invoicing readiness

By the time the new Regulations come into force (see 5.1 above for timetable), contracting authorities need to be in a position to receive and process e-invoices that comply with the European standard on e-invoicing.

A contracting authority's ability to accept and issue e-invoices that comply with the European standard will depend on each contracting authority's level of e-capability and the systems / software it has in place.

E-capability across Wales varies significantly so each contracting authority will need to undertake their own e-invoicing readiness exercise to establish what is required to ensure

compliance with the new Directive. Broadly speaking, if a contracting authority has a P2P (Purchase2Pay) system, e-invoicing can be undertaken through that but that will need to be checked and verified in each. Some investment may well be required so e-invoicing needs to be budgeted for and adequately resourced.

6.1 Supplier's e-invoicing readiness

If suppliers opt to issue e-invoices based on the European standard i.e. the two syntax formats of UBL and UN/CEFACT, they will need to ensure they have the necessary software and systems in place to support it.

The EU Commission has produced an [e-Invoicing readiness checker](#) which allows public bodies to check how ready they are to exchange e-invoices in compliance with Directive 2014/55/EU. Early considerations for suppliers will include things like whether they undertake the project themselves in-house and if so which e-invoicing solution should they choose. Alternatively, they may choose to work with a third party e-invoicing solution provider and in that case they need to be clear on what capabilities they should be able to provide.

7. Policy Position in Wales

When the E-invoicing Directive comes into effect in the UK (in line with the timetable set out in 5.1 above) public bodies in Wales will be expected to comply with it. As mentioned earlier, use of e-invoicing is encouraged in the WPPS and supports the aim to adopt and embed common procurement approaches and make best use of available e-procurement.

7.1 Brexit Implications

The UK Government has confirmed the E-Invoicing Regulations will apply regardless of Brexit. It is unknown at the moment what the long term impacts on procurement will be of the UK leaving the EU. The UK Government has indicated that until it formally happens, contracting authorities should continue to comply with the Public Contracts Regulations 2015. The extent of any reform will largely depend on the nature of the UK's continuing relationship to the EU and that remains to be seen. The Repeal Bill, published in July 2017, will preserve the Procurement Regulations for the time being, meaning that the government can take its time to consider any amendments or reform at a later date.

7.2 Suppliers

Under the E-invoicing Directive, whilst contracting authorities need to be capable of receiving and processing e-invoices received from suppliers which comply with the standard, suppliers will not have to adopt it and could continue using paper invoicing if they wish. It is recognised that e-invoicing could have an impact on suppliers, some of which will be more e-enabled than others. [Business Wales](#) (the supplier support arm of the Welsh Government) has been made aware of the new e-invoicing Directive and any queries suppliers may have can be directed to <https://businesswales.gov.wales/contact-us> or 03000 603000.

7.3 eProcurement Tools

Welsh Government makes available eProcurement tools to public sector organisations in Wales such as eTradingWales (nominated organisations only) and ePayments. Further information can be accessed in the Procurement Route Planner (PRP) Toolkit via <http://prp.gov.wales/toolkit/?lang=en>.

8. Crown Commercial Services (CCS) PEPPOL Framework

CCS has set up a [PEPPOL framework](#) which is available for public bodies in Wales to use. PEPPOL stands for Pan-European Public Procurement Online. It is a set of technical specifications that can be implemented in existing e-procurement systems to exchange information between different systems at a national and European level. The European Commission launched the PEPPOL project to make electronic communication between enterprises and government bodies possible throughout the EU for all procurement processes. CCS has estimated that savings of between 48p and £5.40 per transaction (dependent on current systems) can be achieved through the PEPPOL framework.

There are other options under G-Cloud that you may wish to consider, CCS have agreements for G-Cloud invoicing with various suppliers including Basware, Proactis, Elcom and Cloud Buy plc – more information can be accessed via the link below:-

<https://www.digitalmarketplace.service.gov.uk/g-cloud/search?q=einvoicing&lot=saas>

9. Acknowledgements

Value Wales is pleased to acknowledge that it has drawn upon the following publications and organisations to supplement its own research to produce this guidance note:-

- Billentis Report into e-Invoicing and e-Billing (2015)
- CCS PEPPOL Framework
- British Standards Institute
- Crown Commercial Service
- E-Invoicing Directive 2014/55/EU
- Making it Happen E-invoicing Report (2015)
- Procurement Route Planner (PRP)
- Wales Procurement Policy Statement (WPPS, 2015)

10. Frequently Asked Questions (FAQ)

Q. What is E-Invoicing?

E-invoicing is a web-based service that facilitates the secure exchange of information between buyers and suppliers. European Directive 2014/55/EU on e-invoicing provides a clear definition of an electronic invoice as “an invoice that has been issued, transmitted and received in a structured electronic format which allows for its automatic and electronic processing.”

Q. What does Welsh Government procurement policy say about e-invoicing?

A. It is encouraged in Wales as a more efficient and speedy way of doing businesses and supporting prompt payment, which is so important for smaller suppliers and sub-contractors. E-procurement is promoted in the Wales Procurement Policy Statement (WPPS) which states that procurement processes should be based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.

The WPPS can be accessed via the link below:-
<http://gov.wales/topics/improvingervices/better/vfm/publications/procurement-policy-statement/?lang=en>

Q. Why should we utilise e-invoicing?

A. E-invoices are easier to issue and process than paper invoices; they reach the buyer faster and speed up the payments process. There are the financial benefits and increased efficiencies of removing manual work, reducing errors and postage/paper/printing costs. There are also environmental advantages that come from removing the printing/posting/storage elements of invoice processing. Through encouraging our suppliers to use e-invoicing, they may become more efficient and better equipped to win work further afield.

Q. Why has the EU Commission introduced an E-Invoicing Directive?

A. The aim of [E-Invoicing Directive 2014/55/EU](#) is to standardise the various e-invoicing formats in existence across the EU, which increase complexity and costs for buyers and suppliers.

Q. How will Brexit affect the use of the E-invoicing Directive?

A. The UK Government has confirmed the E-Invoicing Regulations will apply regardless of Brexit. It is unknown at the moment what the long term impacts on procurement will be of the UK leaving the EU. The UK Government has indicated that until it formally happens, contracting authorities should continue to comply with the Public Contracts Regulations 2015.

Q. What is the new E-invoicing standard and how can I access it?

A. The new Standard is based on the two syntax formats of UBL and UN/CEFACT. The semantic data model of the core elements of an electronic invoice and the list of syntaxes is available for download from the British Standards Institute's online shop via the following link: <https://shop.bsigroup.com/Navigate-by/Standards/>

Q. Do suppliers have to use e-invoicing under the new legislation?

A. No. Under the E-Invoicing Directive, whilst public bodies will have to accept any e-invoices which are submitted, suppliers will not have to adopt it and could continue using paper invoicing if they wish.

Q. Does my organisation have to process e-invoices electronically?

A. Not necessarily. Whilst electronic processing represents best practice and should be utilised in order to fully realise the benefits associated with e-invoices, the Directive does not go as far as to say that authorities **must** process electronically.

Q. What are the estimated costs of paper-based invoicing?

A. There are costs to the supplier of issuing paper-based invoices such as paper, printing and postage costs. There are additional processing and collections costs such as reconciliation of payments against invoices, employing credit control staff to chase payments and credit note production. The total cost of an invoice to the supplier varies but is estimated as starting from £1 per invoice (Making it Happen, 2015).

Q. What are the estimated savings of e-invoicing?

A. The Billentis Report into e-Invoicing and e-Billing in 2015 was an independent study that took an in-depth look at the adoption levels of e-Invoicing and its impact on business around the world. The Report indicated possible savings through e-invoicing of 64% for buying organisations and 59% for suppliers (Making it Happen, 2015).

Q. How will I know if my organisation is ready to comply with the Directive?

A. You can use the [e-Invoicing readiness checker](#) provided by the EU Commission, to check how ready you are to exchange e-invoices in compliance with the Directive.

Q. Is there a framework I can utilise to help with e-invoicing?

A. Crown Commercial Services (CCS) has set up a [PEPPOL](#) framework which is available for public bodies in Wales to use. PEPPOL stands for Pan-European Public Procurement Online. It is a set of technical specifications that can be implemented in existing e-procurement systems to exchange information between different systems at a national and European level.

CCS also have agreements in place for gcloud invoicing with various suppliers including Basware, Proactis, Elcom and Cloud Buy plc – more information can be accessed via the link below:-

<https://www.digitalmarketplace.service.gov.uk/g-cloud/search?q=einvoicing&lot=saas>

Q. What is Cyber Essentials Certification and is it needed?

A. Cyber Essentials is a government-backed cyber security certification scheme that sets out a good baseline of cyber security suitable for all organisations in all sectors. The scheme addresses five key controls that, when implemented correctly, can prevent around 80% of cyber attacks.

It is a mandatory condition of the CCS PEPPOL framework that all suppliers hold cyber essentials certification at the time of call off execution, as such not all suppliers currently hold this certification. It is therefore advised that all contracting authorities request evidence of certification at execution of the call off agreement.

Q. What tools are available from Welsh Government?

A. There are eProcurement tools available for public sector organisations in Wales to utilise such as eTradingWales (nominated organisations only) and ePayments.

Further information on these tools can be accessed via the Procurement Route Planner:-
<http://prp.gov.wales/docs/prp/toolkit/26568eprocurementstoolenglishprintfinal280916.pdf>