DSD005 – DIP Funding and Budget

DSD005 relating to funding and budget in regard to the DIP.

1. Reference is made to the DIP Supplement of the Balancing and Settlement Code.

2. This is DIP Subsidiary Document DSD005, Version 1.0 relating to the funding and budget requirements for DIP Users and the DIP Manager.

3. This DSD is effective from 01 October 2024.

4. This DSD has been approved by the DIP Manager.

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1 Introduction

1.1 Scope and Purpose

1.1.1 The purpose of this DSD is to set out the rules and processes the DIP Participants are expected to adhere to in relation to the DIP.

1.1.2 Acknowledgement that the budgeting arrangements and process for~~T~~t~~he budgeting arrangements cover the process by which the DIP Manager~~BSCCo~~ shall set the forthcoming~~the~~ DIP Budget, ~~consult with DIP Users and interested stakeholders and finalise the DIP Budget following consultation~~are subject to the budget provisions in the BSC Section C.

1.1.3 The funding arrangements are set to ensure all DIP Costs are met by DIP Payees, while ensuring that the DIP Manager does not make a profit or a lossin any DIP Year (but may retain funds for multi-year investments where part of the DIP Budget).

1.1.4 DIP Costs shall be payable by DIP Payees. A DIP Payee is a DIP User that is required to pay a share of DIP Costs. DIP Payees are:

a) Suppliers that have at least one Metering Point Administration Number (MPAN) registered in DIP MPAN Address Maintenance Service (DIP MAMS) and have completed DIP On-Boarding in accordance with DSD002 ‘DIP Connection and Operation’.

1.2 Funding Principles

1.2.1 1.2.1 The amount to be paid by DIP Payees shall be based on:

a) the number of MPANs each DIP Payee has registered in the DIP MAMS in the case of Suppliers.

1.2.2 In order to minimise the costs incurred by the DIP Manager (and therefore DIP Payees), DIP Costs will be recovered using the provisions in the DIP Supplement chapter 6 ‘Cost Recovery’.

1.2.3 The DIP Manager is not intended to make a profit or loss from the operation of the DIP. The sum of all money the DIP Manager receives from DIP Payees in respect of a DIP Year (including any reconciliation) shall be equal to the sum of all costs incurred by the DIP Manager in relation to that DIP Year.

1.2.4 All values used in the DIP Budget and in relation to DIP Costs shall be Pounds Sterling (£). Amounts shall be calculated to 2 decimal places (i.e. the nearest penny) for invoice amounts.

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2 DIP Budget

2.1 Budget composition

2.1.1 The DIP Budget shall consist of at least the following:

DIP Core Service Costs as described in paragraph 3.1;

Other costs, expenses and other outgoings for which the DIP manager may be liable in the performance of its functions.

2.2 a) DIP Budget ~~consultation~~

b) 2.2.1 The DIP Budget shall be be incorporated in BSCCo's annual general budget produced pursuant to BSC Section C and the provisions of Section C apply to the DIP Budget (including, for example, those in respect of consultation, amendment and appeals). ~~The forthcoming DIP Year budget (the DIP Budget) shall be published no later than one calendar month prior to the start of the DIP Year. The DIP Manager~~BSCCo ~~shall work backwards from that point to determine when best to publish the proposed DIP Budget to allow reasonable time for stakeholders to review the proposed budget and respond, and for the DIP Manager~~BSCCo ~~to consider their responses and follow-up (if required) before publishing the final budget.~~

~~2.2.2 The DIP Budget may be included in any owning Code Body's~~BSCCo's ~~annual business plan and, for the sake of efficiency, this shall be considered to be the default option.~~

~~2.2.3 If the DIP Budget is not included in the owning Code Body's~~BSCCo's ~~annual business plan for whatever reason, then the DIP Manager~~BSCCo ~~shall issue a stand-alone consultation.~~

~~2.2.4 Where the DIP Budget proposal is included in the owning Code Body's~~BSCCo's ~~annual business plan, the DIP Manager~~BSCCo ~~will consider all stakeholder responses regardless of whether the respondent is entitled to respond to the wider consultation.~~

2.3 Annual DIP Standing Charge

2.3.1 The DIP Budget shall include the DIP Manager's proposed Annual DIP Standing Charge (ADSC) for the forthcoming DIP Year, being a fixed amount expressed as a number and as a percentage of the total estimated Annual DIP Costs.

2.3.2 The actual amounts to be paid by DIP Payees in relation to the ADSC on a monthly basis shall be calculated in accordance with paragraph 3 of this DSD.

2.4 DCAB Role in budget setting

2.4.1 The DIP Change and Advisory Board (DCAB) shall review the proposed DIP Budget at the next normal DCAB meeting following its publication and shall provide comments within the same timelines as other correspondents.

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2.4.2 DCAB comments can be provided in writing or verbally to the DIP Manager's representative at DCAB. Where verbal comments are provided, they shall be captured in DCAB meeting minutes.

2.4.3 When making its final budget setting determination, the DIP Manager should give consideration to the DCAB's comments (while being mindful of the purpose and composition of the DCAB). However, the DIP Manager is not obliged to adhere to the DCAB's recommendations.

2.5 In year DIP Budget amendments Not used

~~2.5.1 The DIP Budget is an estimate of future costs and DIP Payees acknowledge that actual costs may not necessarily match estimated costs. The DIP ManagerBSCCo shall nevertheless endeavour to manage the delivery of the DIP within the DIP Budget.~~

~~2.5.2 Any change to the predicted Annual DIP Costs (ADC) shall be noted on the monthly invoice with no further action if the variation between the Revised Annual DIP Costs (RADC) and ADC is less than or equal to 10%. For example, if the ADC is £4,800,000 and the RADC is £4,680,000, this shall be noted because the difference is 2.5%.~~

~~2.5.3 If the RADC is more than 10% different from the ADC, the DIP ManagerBSCCo shall inform DIP Payees directly via an addition to the monthly invoice (e.g. by letter) explaining why there has been a change more than 10% in the RADC compared to the predicted ADC. In this case, the DCAB shall also be informed at the next scheduled DCAB meeting. For example, using the same figures for ADC as above, if the RADC is £4,250.00 (an 11.4583% difference) DIP Payees and DCAB shall be informed.~~

~~2.5.4 If the RADC is more than 15% different from the ADC, then the DIP ManagerBSCCo shall consult all DIP Payees and the DCAB as soon as is practicable after determining the discrepancy (and no later than the next monthly invoice) as to whether they are willing to allow the difference to carry forward. For example, using the same ADC as above, if the RADC is £5,550,000 (a 15.625% difference), the DIP ManagerBSCCo shall consult DIP Payees and the DCAB.~~

~~2.5.5 The requirements in this paragraph shall apply equally whether the RADC is above or below the ADC, as demonstrated by the examples given.~~

~~These figures are for illustrative purposes only and are not to be taken as indicative DIP Costs etc.~~

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3 DIP Costs

3.1 DIP Costs elements

3.1.1 DIP Costs shall either be DIP Core Service Costs or DIP Non-Core Service Costs.

3.1.2 DIP Core Service Costs are all of the costs incurred by the DIP Manager in delivering the DIP Core Services (further detail is in DSD002 Annex Two) including:

DIP Service Provider Costs (including maintenance of environments);

DIP Manager's operating costs;

a) costs relating to DIP On-Boarding and DIP Off-Boarding as described in DSD002 'DIP Connection and Operation'.

b)

c) costs relating to Assurance and reporting activities as described in DSD003 'Assurance and Reporting';

d) costs relating to change management and document management as described in DSD004 'DIP Change and Document Management';

e)

f) costs relating to the recovery of DIP Costs as described in this DSD005 'DIP Funding and Budget'; and

g) costs relating to the sharing of open data where it has been determined that there is industry benefit, as described in DSD006 'DIP Data Management'.

3.1.3 The DIP Service Provider's Costs shall be the total anticipated costs, expected to be chargeable by the DIP Service Provider to the DIP Manager for the forthcoming DIP Year.

3.1.4 The DIP Manager's operating costs shall be the administration costs of fulfilling the DIP
a) Manager's obligations under the DIP Rules. These costs shall include but not be limited to:

b) personnel costs (including DIP Change, Assurance and DIP On-Boarding personnel);

c)

d) office overhead costs;

e) amounts payable to any owning Code Body for shared resource;

f) costs expected to be incurred by DCAB e.g. travelling and expenses;

g) costs incurred in respect of any indemnity given by the DIP Manager in accordance with the DIP Rules;

costs incurred by the DIP Manager relating to the contracting of the DIP Service Manager; and

amounts associated with multi-year investments in the DIP.

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3.1.5 Assurance costs shall be proposed by the DIP Manager as an estimate of the cost of carrying out Assurance activities. Such costs shall include, but not be limited to:

a) costs payable to a third-party consultancy for carrying out Assurance activity; and

b) costs payable for any software licences or similar that may be required to carry out data audits or similar.

3.1.6 DIP Change process costs shall be proposed by the DIP Manager as an estimate of the cost of implementing changes. Such costs shall include, but not be limited to:

a) costs payable to the DIP Service Provider for changes to the DIP; and

b) a reserve amount for third party assistance with DIP Changes.

3.1.7 DIP Non-Core Services Costs are costs incurred by the DIP Manager in providing services at the request of and to or for a particular person which are not provided to DIP Users as a DIP Core Service. The DIP Manager shall be entitled to recover DIP Non-Core Services Costs on a 'pay-per-use' basis in accordance with this DSD.

3.1.8 DIP Costs will be charged in advance to ensure the DIP Manager has sufficient funds to meet costs incurred.

3.2 Taxation

3.2.1 Each DIP Payee agrees that it will be bound by any agreement made (whether before or after the entry into force of the DIP Rules) between the DIP Manager and any tax authority as to the treatment for taxation purposes of any transactions envisaged by the DIP Rules between the DIP Manager and any other DIP Payee.

3.2.2 Each DIP Payee further undertakes that it will not act in any way prejudicial to such agreement, including acting on the basis of, assuming, seeking or making any application or request to any tax authority for, any conflicting treatment.

3.2.3 The DIP Manager shall ensure that details of each such agreement as is referred to in this paragraph are provided to each DIP Payee upon its becoming a DIP Payee and upon any change in such agreement.

3.3 DIP Standing Charge

3.3.1 The DSC shall be a fixed amount to be charged to DIP Payees and which shall be determined by the DIP Manager on an annual basis as part of the budgeting process and recovered in accordance with this paragraph.

3.3.2 The DIP Manager shall, on an annual basis, determine the Annual DIP Standing Charge (ADSC) and Monthly DIP Standing Charge (MDSC) as follows:

a) determine the total Annual DIP Costs (ADC) for the forthcoming DIP Year in accordance with the budgeting process set out in this DSD;

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determine what percentage of the ADC shall recovered through the Annual DIP Standing Charge (ADSC%);

apply the percentage amount to calculate the ADSC as a value in pounds:

$$ADC \times ADSC\% = ADSC$$

b) divide the ADSC by twelve to give an amount that will be the total amount recovered from all DIP Payees each calendar month – total Monthly DIP
c) Standing Charge (MDSC):

d)
$$\frac{ADSC}{12} = MDSC$$

3.3.3 The DIP Manager shall, each month, determine each DIP Payee's DIP Standing Charge (DSC) for that month as follows:

determine the total number of DIP Payees registered for the month in question;

a) divide the MDSC by the total number of DIP Payees (TDP) to determine the DSC for each DIP Payee for the month in question:
b)

$$\frac{MDSC}{TDP} = DSC$$

c) The DSC per Supplier per month can be determined using the following combined equation:

$$\frac{ADC \times ADSC\%}{12 \times TDP} = DSC$$

3.3.4a) For example:

b) if ADC are £4.8m;

c)

d) the ADSC% is determined to be 25%, then the ADSC shall be £1.2m;

the MDSC shall be £100k;

if the total number of DIP Payees for the given month is 50, then the DSC for each DIP Payee shall be £2,000 for that month:

$$\frac{£4{,}800{,}000 \times 25\%}{12 \times 50} = £2{,}000$$

These figures are for illustrative purposes only and are not to be taken as indicative DIP Costs etc.

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3.4 Determination of Funding Shares

3.4.1 Each DIP Payee's Non-Standing Charges shall be relative to their Funding Share which shall be determined each month by the DIP Manager based on the number of MPANs per Supplier recorded in the DIP MAMS, and the number of Suppliers registered as a DIP User.

3.4.2 The DIP Manager shall retrieve the number of MPANs registered per Supplier from the DIP as a report that will be generated automatically by the DIP. This report will be run 5 WD after the start of each month. For example, the data for calculating each DIP Payee's October DIP Charges shall be reported to the DIP Manager on the 5 WD of September.

3.4.3 To determine each Supplier's Funding Share (SFS) the DIP Manager shall:

determine which Suppliers are DIP Payees each month;

determine the total number of MPANs (TM) registered in the DIP MAMS;

a) determine the total number of MPANs registered in the DIP MAMS per Supplier

b) (MPS) that is a DIP Payee; and

c) for each Supplier, divide the total number of MPS by the total number of MPANs

d) (TM) and times the answer by 100 to give a percentage:

$$\frac{MPS}{TM} \times 100 = SFS$$

3.4.4 For example, if a Supplier has 5.6m MPS registered, and there are 28m MPANs in total (TM), then that SFS is 20%

$$\frac{5.6m}{28m} \times 100 = 20\%$$

These figures are for illustrative purposes only and are not to be taken as indicative Funding Shares for any DIP Payee.

3.5 DIP Non-Standing Charges (DNSC)

3.5.1 The DNSC shall be recovered from DIP Payees each month by determining the DIP Costs

a) minus the DSC and allocating the resulting amount amongst DIP Payees based on their

b) SFS.

3.5.2 To determine the DNSC each month the DIP Manager shall:

update their forecast of ADC for the DIP Year to give the RADC;

determine the total amount to be recovered by the DIP Manager through the annual DIP Non-Standing Charges (UADNSC) for the DIP Year by subtracting the ADSC from the RADC:

$$RADC - ADSC = UADNSC$$

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the UADNSC shall then be divided by 12 to give the total Monthly DIP Charges for all DIP Payees (MDNSC):

$$\frac{UADNSC}{12} = MDNSC$$

c) once the MDNSC has been determined, it shall be summed for the total months to date - ΣmMDNSC, where Σm is the sum over all of the months of the DIP Year up to and including month m;

d) the DIP Manager shall then multiply the ΣmMDNSC by the SFS – to give the DNSC per Supplier that month (DNSCM):

e)
$$\Sigma mMDNSC \times \frac{SFS}{100} = DNSCM$$

f) the DIP Manager shall then subtract the total amount of DNSCM costs paid to date – Σm-1DNSCM, where Σm-1 is the DNSCM payed up to the month previous to the month in which the invoice is being issued – to give the DNSCMP:

$$DNSCM - \Sigma m\text{-}1DNSCM = DNSCMP$$

g) the DSC per Supplier per month can be determined using the following combined equation:

$$\left(\Sigma m\left(\frac{RADC-ADSC}{12}\right) x\frac{SFS}{100}\right) - \Sigma m\text{-}1DNSCM = DNSCMP$$

3.5.3 For example (using the data above) if, at the start of October:

a)

b) the RADC is the same as the ADC of £4.8m, and has been all year;

c) a Supplier has 5.6m MPS registered out of 28m MPANs in total (TM) giving a Supplier's Funding Share (SFS) of 20%;

d) ADC are £4.8m and the ADSC% is 25%, giving an ADSC of £1.2m;

e) the DNSCM payed from April to September (Σm-1DNSCM) is £360,000:

$$DNSCMP = \left(7 x\left(\frac{£4{,}800{,}000 - £1{,}200{,}000}{12}\right) \times 0.2\right) - £360{,}000 = £60{,}000$$

f) in November, if the RADC reduces to £4,680,000:

$$DNSCMP = \left(8 x\left(\frac{£4{,}680{,}000 - £1{,}200{,}000}{12}\right) \times 0.20\right) - £420{,}000 = £44{,}000$$

in December (assuming no change in RADC from November) this would be:

$$DNSCMP = \left(9 x\left(\frac{£4{,}680{,}000 - £1{,}200{,}000}{12}\right) \times 0.2\right) - £464{,}000 = £58{,}000$$

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in January (assuming no change in RADC) this would be:

$$DNSCMP = (10\ x\left(\frac{£4{,}680{,}000 - £1{,}200{,}000}{12}\right) \times 0.2) - £522{,}000 = £58{,}000$$

These figures are for illustrative purposes only and are not to be taken as indicative of DIP Costs, Funding Shares or ADSC percentages in any way.

g)

3.6 DIP Non-Core Service costs

3.6.1 DIP Non-Core Service Costs shall be determined by the DIP Manager on a case-by-case basis as the costs incurred by the DIP Manager (including any costs the DIP Manager has to pay to the DIP Service Provider or other third parties) in the delivery of the service that the organisation has requested. This shall include the implementation/delivery costs as well as any on-going servicing costs.

3.6.2 Examples of DIP Non-Core Services may include, but are not limited to:

a) a DIP CR that does not have a positive impact on DIP Participants as a whole, but is implemented for the benefit of some DIP Participants and the cost of that DIP CR is passed on to the DIP CR proposer (and any other DIP Users that may benefit);

b) DIP On-Boarding (or, if applicable DIP Off-Boarding) an organisation that is not listed in DSD002 'DIP Connection and Operation', but the DIP Manager has permitted to become a DIP User in accordance with DSD002;

c) any Assurance activity that the DIP Manager undertakes on behalf of an appropriate organisation (Code Body, Government department, industry regulator etc.) in accordance with DSD003 'Assurance and Reporting' where a benefit for the majority of DIP Users may not have been demonstrated;

d) any request for data in accordance with the open data process described in DSD006 'DIP Data Management' where it has been determined that the sharing and/or publishing of said data items will not benefit the majority of DIP Users.

3.6.3 The DIP Non-Core Service Cost (NCSC) shall be invoiced (to the entities identified above as being responsible for the cost) at the first invoice run following the delivery of the DIP Non-Core Service.

3.6.4 Notwithstanding the previous paragraph, the DIP Manager may agree a payment plan with recipient(s) of the DIP Non-Core Service so that the cost can be spread over several invoices. This shall only be considered where the delivery of the DIP Non-Core Service is spread over several invoice periods.

3.6.5 The DIP Manager may delay the delivery of a DIP Non-Core Service (or where applicable the final part of a DIP Non-Core Service) until final payment has been received.

3.6.6 In taking account of the requirements of this section, the DIP Manager and the recipients of a DIP Non-Core Service shall agree how NCSC will be paid prior to delivering a DIP

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Non-Core Service and it shall, where appropriate, be included in an information published by the DIP Manager to inform DIP Users and other stakeholders.

3.6.7 When determining whether a 'majority' shall be impacted, the DIP Manager shall consider the number of DIP Users impacted but may consider other factors. The DIP Manager will set out and explain in its published decision how it has determined that a majority of DIP Users would not benefit from the DIP Non-Core Service requested.

3.7 Monthly Invoices

3.7.1 The amounts included in each invoice shall be determined in accordance with this paragraph.

3.7.2 The DIP Charge per DIP Payee (DCDP) for each calendar month shall be the sum of DSC, and the DNSC costs for that month.

3.7.3 In addition to the DSC and DNSC, any NCSC that a DIP Payee is eligible for shall also be added to a DIP Payee's invoice.

3.7.4 The total DCDP per calendar month can be shown using the following equation:

$$DSC + DNSC + NCSC = DCDP$$

3.7.5 For example (using the data above) and where there are NCSC:

$$£2{,}000 + £20{,}000 + £0 = £22{,}000$$

3.7.6 The total DCDP per non DIP Payee shall be the sum of any NCSC and can be shown using the following equation:

$$NCSC = DCDP$$

3.7.7 The DIP Manager shall, in producing monthly invoices, make use of actual data so far as practicable, and shall publish a process by which suitable estimated data can be used in the absence of actual data.

3.7.8 Determinations of amounts to be included in invoices shall be made no later than the final WD of the month preceding e.g. determinations for October will be made no later than the final WD of September.

3.7.9 Invoices shall be issued on, or as soon after as practicable, the first WD of each month but, no later than 5 WD after the start of the each month in question e.g. the invoice for October shall ideally be sent to DIP Payees on the first WD of October but, no later than the fifth WD of October.

3.7.10 Each DIP Payee shall pay the amounts invoiced under this DSD (including VAT, if applicable) within 10 WD of the invoice date.

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3.8 Annual reconciliation

3.8.1 At the end of each DIP Year the DIP Manager shall carry out a reconciliation of DIP Costs to ensure that the sum of all payments made by DIP Payees throughout the DIP Year is equal to the DIP Costs incurred by the DIP Manager.

3.8.2 The DIP Manager shall make a final determination and adjustment in reference to the amounts determined in paragraphs 3.2 to 3.6 no later than 28 days after publication of its audited accounts for that year. Following final determination, the DIP Manager shall reconcile the amounts paid by each DIP Payee in accordance with the methodologies set out in this DSD.

3.8.3 In making determinations in accordance with this paragraph the DIP Manager shall only use actual (not estimated as per monthly invoices) data, unless any actual data remains unavailable at the time of such determination; in which case, the DIP Manager shall determine how to best make good any corrections that may occur once actual data is available and shall include their methodology in the invoice backing data.

3.8.4 To determine the amount to be reconciled, the DIP Manager shall:

a) determine the Final DIP Costs (FDC) for the DIP Year and Subtract the ADSC to determine the Final DIP Non-Standing Charges (FDNSC):

$$FDC - ADSC = FDNSC$$

b) multiply the FDNSC by each DIP Payee's end-of DIP Year Supplier Funding Share (ESFS) at the end of the year (i.e. as determined in the March report produced on the fifth WD of April) to give the DNSC per Supplier for the Year (DNSCY):

c)
$$FDNSC \times \frac{ESFS}{100} = DNSCY$$

subtract the sum of all Monthly DIP Non-Standing Charges – Σm12DNSCMP (where Σm12 is the sum of all 12 months in the DIP Year being reconciled) – from the DNSCY to determine the amount to reconcile as in regard to DIP Non-Standing Charges (RDNSC):

$$DNSCY - \Sigma_{m12}DNSCMP = RDNSC$$

3.8.5 The DNSC to be reconciled per Supplier can be determined using the following combined equation:

a)
$$((FDC - ADSC) \times \frac{ESFS}{100}) - \Sigma_{m12}DNSCMP = RDNSC$$

3.8.6 For example, if we continue the previous example:

use a FDC of £4,700,000;

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the ADSC remains £1,200,000;

the ESFS is 20%;

if we continue without any change in RADC until March, the Supplier's Σm12DNSCMP = £696,000:

b) $RDNSC = ((£4{,}700{,}000 - £1{,}200{,}000) \times 0.2) - £696{,}000 = £4{,}000$

c)

d) ***These figures are for illustrative purposes only and are not to be taken as indicative of DIP Costs, Funding Shares or ADSC percentages in any way.***

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4 Payment of DIP Charges

4.1 Bank Accounts

4.1.1 Each DIP Payee shall notify to the DIP Manager, and the DIP Manager shall notify to each DIP Payee, details of the banks and accounts from and to which any payments are to be made (to the DIP Manager or such DIP Payee) in respect of DIP Charges.

4.1.2 Where the DIP Payee is also a Party to the Code administered by the DIP Manager's owning Code Body, the information required in the previous paragraph shall be the same as that held by the owning Code Body.

4.2 Credit Cover

4.2.1 DIP Payees are not required to provide credit to the DIP Manager to cover any bad debt that may occur.

4.3 Payment by DIP Payees

4.3.1 Each DIP Payee shall pay all amounts invoiced in respect of DIP Charges payable plus applicable VAT thereon, no later than the due date for payment in accordance with this DSD.

4.3.2 Payment of DIP Charges shall be made in sterling in cleared funds to the relevant account of the relevant recipient notified.

4.3.3 Payment of DIP Charges shall be made in full, free and clear of any restriction, reservation or condition, and except to the extent (if any) required by law, without deduction, withholding, set-off or counter-claim of any kind (but without prejudice to any other remedy).

4.3.4 Where the DIP Manager is required by law to make any deduction or withholding, the amount thereof shall be the minimum amount required by law (as modified by the terms of any agreement between the DIP Manager and any relevant taxation authority) and the DIP Manager shall make payments and returns to the relevant tax authorities and issue certificates to DIP Payees in respect thereof as required by law (as so modified).

4.3.5 BSCCo or any other relevant Code Body to which DIP Charges may become payable may agree with any DIP Payee that such DIP Payee will pay DIP Charges by direct debit.

4.4 Disputes

4.4.1 If a DIP Payee disputes any amount shown in an invoice or statement as payable by it in respect of any DIP Charges, that DIP Payee shall nevertheless pay the amount shown in full and may not withhold payment of such amount or any part thereof, but without prejudice to that DIP Payee's right subsequently to dispute such invoice or statement subject to and in accordance with applicable provisions of the DIP Rules.

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4.4.2 Where a DIP Payee notifies the DIP Manager of any dispute or query as to the amount shown in any invoice or statement as payable by that DIP Payee in respect of DIP Charges, the DIP Manager shall as soon as is reasonably practicable (but not necessarily before the due date for payment) investigate the matter and inform the DIP Payee of the outcome of its investigation as soon as is reasonably practical and, so far as is practicable, within the timescales agreed with the DIP Payee raising the dispute.

4.4.3 Where (pursuant to the previous paragraph or otherwise) the DIP Manager establishes that, or it is determined that, any error has been made in the determination of the amounts payable by any DIP Payee in respect of DIP Charges (whether such error resulted in over-payments or in under-payment), the DIP Manager will make such adjustments in respect of the DIP Charges next due to be paid in accordance with the DIP Rules. The DIP Manager will adjust the amount to be paid by or to such DIP Payee or DIP Payees as will ensure that the correct amounts have been paid.

4.4.4 No amount in respect of interest shall be included in any adjustment as established or determined under this paragraph, unless otherwise ordered in any award of an arbitrator.

4.4.5 Nothing in this DSD shall be construed as preventing the DIP Manager from withdrawing and replacing (with the same due date for payment) any invoice or other statement, before the due date for payment, by agreement with the DIP Payee concerned, where the DIP Manager is aware of an error in such invoice or statement.

4.5 Late Payments and Bad Debt

4.5.1 If any DIP Payee fails to pay in full, within 5 WD of the invoice due date, any amount payable by it in respect of DIP Charges, the DIP Manager shall promptly notify all DIP Payees of the amount outstanding.

4.5.2 Where an amount is unpaid as described in paragraph 4.5.1, unless the DIP Manager determines that it would not be worthwhile to do so, the DIP Manager shall take all reasonable steps and proceedings to pursue and recover from the non-paying DIP Payee the unpaid amount.

4.5.3 If the DIP Manager subsequently recovers any amount from the non-paying DIP Payee in respect of the unpaid DIP Charges, the amount recovered will be taken into account in determining the amounts payable in subsequent months by all DIP Payees in respect of DIP Charges.

4.5.4 Where such amount is recovered after the DIP Manager's final determination, such amount will be taken into account in the DIP Year in which it is recovered.

4.5.5 While any amount is outstanding from the non-paying DIP Payee in respect of DIP Charges, the DIP Manager will be entitled to withhold any payments which may be due to that DIP Payee.

4.5.6 A DIP Payee shall give notice to the DIP Manager before instituting any action or proceeding to enforce payments due to it under paragraph 4.5.3.

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4.5.7 If an unpaid amount has been increased by an amount in respect of VAT because it would constitute the consideration for a taxable supply or deemed taxable supply (as such terms are used in the Value Added Tax Act 1994), then any reference to an unpaid amount in paragraph 4.5.1 shall not include that increased part to the extent that the relevant taxable supply or deemed taxable supply (as such terms are used in the Value Added Tax Act 1994) does not take place. This paragraph is without prejudice to the fact that any payment pursuant to paragraph 4.5.1 is exclusive of VAT and applicable VAT (if any) should be payable in addition.

4.6 Late Payment Default Funding Share

4.6.1 A default funding share shall be determined by the DIP Manager where the DIP Manager has determined that the amount owed by a non-paying DIP Payee (total bad debt - TBD) shall be considered a bad debt and therefore be borne by the other DIP Payees.

4.6.2 The DIP Manager shall, for each relevant month, determine the extra DIP Charges per DIP Payee (EDCs) amount owed by the remaining DIP Payees in accordance with this paragraph.

4.6.3 The DIP Manager shall:

a) determine the remaining DIP Payees outstanding SFS (OSFS) by determining the total number of MPANs registered in the DIP MAMS per remaining Supplier (MPS) that is a DIP Payee eligible for payment pursuant to paragraph 4.6;

b) for each Supplier, divide the total number of MPANs for that DIP Payee (MPS) by the total number of MPANs (TM), less the MPANs of the non-paying DIP Payee (NDPM) and times the answer by 100 to give a percentage:

c)
$$\frac{MPS \times 100}{(TM - NDPM)} = OSFS$$

multiply total bad debt (TBD) by OSFS to give the EDC:

d)
$$TBD \times \left(\frac{OSFS}{100}\right) = EDC$$

the EDC per Supplier per month can be determined using the following combined equation:

$$\frac{TBD \times MPS}{(TM - NDPM)} = EDC$$

4.6.4 For example, if a Supplier has 5.6m MPANs (MPS) registered, and there are 28m MPANs in total (TM), then that Supplier's Funding Share (SPS) is 20% and A DIP Payee with 560,000 MPANs does not pay their invoice of £6,000 then:

$$\frac{£6{,}000 \times 5.6m}{(28m - 560{,}000)} = £1{,}224.49$$

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4.6.5 Amounts paid by DIP Payees pursuant to a default funding share are without prejudice to the liability of the defaulting DIP Payee.

4.7 Repayment of recovered bad debt

4.7.1 Where the non-paying DIP Payee pays the full amount outstanding, then the EDC per DIP Payee shall be returned to them in full i.e. (using the example above) if the full £6,000 is recovered, then £1,224.49 shall be returned to the DIP Payee.

4.7.2 Where the non-paying DIP Payee pays less than the full amount outstanding the full amount, the same process and formulas shall be used to determine what proportion of the recovered amount shall be paid to each DIP Payee.

4.7.3 For example, if only £4,500 is recovered of the £6,000 outstanding then the amount returned to the Supplier in the example shall be:

$$\frac{£4{,}500 \times 5.6m}{(28m - 560{,}000)} = £918.37$$

4.7.4 In respect of calculations undertaken pursuant to this paragraph, the number of MPANs per Supplier and total MPANs shall be based on the MAMS data held by the DIP Manager at the time of the non-payment occurring, and the same values of MPS, TM and NDPM for that month shall be used to determine the amount to repay.

4.7.5 Where a DIP Payee undertakes DIP Off-boarding in-between paying EDC and the bad debt being recovered (in full or in part), the DIP Manager should make all reasonable attempts to return the amount owed to them. However, where it is not possible to return the amount (e.g. the company no longer exists), then that amount shall be shared amongst the DIP Payees that were DIP Payees at the time of the non-payment occurring. The DIP Manager shall determine the amount to be paid to such DIP Payee on the basis of their SFS.

4.8 Late payment interest

4.8.1 If any amount payable by a DIP Payee in respect of DIP Costs is not paid on or before the due date, the non-paying DIP Payee will be liable to pay interest on the unpaid amount from the due date until the day on which payment is made.

4.8.2 Any interest on a late payment shall be paid at the default interest rate, which is the Base Rate plus two percent per annum.

4.8.3 The DIP Manager may waive any amounts payable in respect of late payment interest.

4.9 Emergency Funding

4.9.1 If at any time the DIP Manager expects that it will be unable to pay any DIP Costs due for payment before the DIP Manager will receive funds (from DIP Payees pursuant to invoices issued under paragraph 4.3) sufficient to enable it to pay such DIP Costs, the DIP Manager may give notice by way of cash call to DIP Payees:

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requiring them to pay their share (based on SFS) for the month in which such notice is given for such amount as the DIP Manager requires so as to be sufficiently funded; and

specifying the date for payment of such cash call, which shall not be less than 3 WD after the date of such notice.

4.9.2[a)] Each DIP Payee shall pay the amount so notified as payable by it, not later than the date specified for payment.

4.9.3[b)] Amounts so payable by DIP Payees will be DIP Charges, treated as accruing due when so notified, and will be taken into account in determining the amounts subsequently payable as DIP Charges in the relevant DIP Year by being taken into account in the invoicing of such charges pursuant to paragraph 3.7.

4.9.4 The DIP Manager shall promptly after making such cash call provide to all DIP Payees an explanation of the circumstances which required it to be made, and (without prejudice to paragraph 2.5) a statement of whether the DIP Costs in question represent expenditure in excess of the amount in the DIP Budget.

Amendment Record

Version	Date	Description of Change	Approval Reference
1.0	01 October 2024	01 October 2024 Non-Standard Release	P353/08

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