



focus

Voice of the **Specialist Engineering Contractor**

*The members of the
SEC Group are:*

Association of
Plumbing and Heating
Contractors

British Constructional
Steelwork Association

Electrical Contractors'
Association

Heating and
Ventilating
Contractors'
Association

Lift and Escalator
Industry Association

SELECT

*For further information on all
aspects of SEC Group and its
activities contact:*

John Nelson
Executive Secretary
**SPECIALIST
ENGINEERING
CONTRACTORS GROUP**
34 Palace Court
London
W2 4JG
Tel: **020 7313 4819**
Fax: 020 7727 9268
E-mail:
contact@secgroup.org.uk
Website: www.secgroup.org.uk

Government announces £1.8 billion worth of contracts which use **PROJECT BANK ACCOUNTS: £4 billion is the target by April 2014**

The Cabinet Office 'Government Construction Strategy' Report of May 2011 confirms that Fair Payment down the supply chain has been made a contractual requirement on all new procurement by central Government.

Central government departments, agencies and non-departmental public bodies must ensure that contracts and sub-contracts define the payment periods for the different tiers in the supply chain. This policy means that all sub-contracts and sub-sub-contracts must contain a clause stating that all payments shall be discharged within (respectively) 19 days and 23 days of the main contract due date.

As part of the Fair Payment contractual requirement the Cabinet Office is inviting firms to report instances of non-compliance. SEC Group has produced a pro-forma for member associations to enable firms to report instances of non-compliance.

In addition £1.8 billion pounds worth of projects have been awarded to date using Project Bank Accounts (PBAs) and these will be monitored as a model for the future. The Government now wants to ratchet this up to £4 billion by April 2014.

The objective of the 'Government Construction Strategy' is to speed cash flow through the supply chain to increase security of payment for lower tiers of the supply chain - particularly SMEs.

The increased use of PBAs will contribute towards meeting this objective.



*The members of the
SEC Group are:*

Association of
Plumbing and Heating
Contractors

British Constructional
Steelwork Association

Electrical Contractors'
Association

Heating and
Ventilating
Contractors'
Association

Lift and Escalator
Industry Association

SELECT

*For further information on all
aspects of SEC Group and its
activities contact:*

John Nelson
Executive Secretary
**SPECIALIST
ENGINEERING
CONTRACTORS GROUP**
34 Palace Court
London
W2 4JG
Tel: **020 7313 4819**
Fax: 020 7727 9268
E-mail:
contact@secgroup.org.uk
Website: www.secgroup.org.uk

PBAs ensure increased transparency over cash flow to the supply chain. Payments will be made promptly to the supply chain directly from the bank account. A main advantage of PBAs is that the monies are ring – fenced and the supply chain is protected from possible insolvency of the main contractor.

Public sector

Defence Estates and Highways Agency are using PBAs on their forward work programme. Other departments including Ministry of Justice and Environment Agency aim to use them. The use of PBAs by Local Authorities in the wider public sector is also growing.

The Government Construction Strategy sets targets for the increased use of PBAs. Also the ongoing action to monitor the use of PBAs on trial projects and to capture lessons for future use.

CROSSRAIL – the largest construction project in Europe – has set a good example to follow. CROSSRAIL is using project bank accounts on all its major contracts.

This is an historic step on such a major project. It will dramatically change construction industry payment practices with the result that cash flow to the supply chain, especially to SMEs, will be assured and that waste associated with poor payment practices is eliminated.

Private sector

The intention is that the public sector's use of PBAs should pave the way for their more widespread use in the private sector. SEC Group has contacted 70 major private clients many of whom have asked for more information on PBAs.

Banks offering PBAs arrangements.

High street commercial banks – particularly Barclays, HSBC and Lloyds/Bank of Scotland - have devised PBA facilities to ensure effective and efficient supply chain payment. All payments to and from PBAs are made online and the daily automatic transfer arrangement to or from an interest bearing deposit account, ensures that the current account maintains a nil balance.

Benefits include electronic banking providing balance and transaction reporting, payment functionality plus access to on-line deposit placing at interest rates based on the London Money Markets

Training on PBAs

It should also be noted that RLB (Rider Levett Bucknall) offer support and training on PBAs. The contact point is Brian.Kilgallon@uk.rlb.com

Summary

SEC Group welcomes these significant and positive developments. Poor payment practices cannot be tolerated. They jeopardise SMEs, the backbone of the industry, and contribute to the inefficiencies in the industry. Unless there is a very good reason not to SEC Group believes that all public sector clients should use PBAs on all construction projects.