

PROJECT BANK ACCOUNTS

- ▶ New bill introduced to use project bank accounts for all public sector projects over £500,000.
- ▶ Project bank accounts will pay each member of the supply chain directly, rather than the money flowing through the contractor thereby reducing payment periods and risk.
- ▶ Widespread industry support is expected, particularly after the Carillion collapse, because it protects parties down the supply chain.

What's it about?

The Public Sector Supply Chain (Project Bank Accounts) Bill (the '**Bill**') is a Private Member's Bill introduced by MP Debbie Abrahams on the first anniversary of, and in response to, Carillion's collapse. Project bank accounts are already in use in the U.K. holding £2.5bn worth of funds in relation public sector contracts, however the Bill makes it mandatory for all public sector projects over £500,000 to use project bank accounts.

Project bank accounts are ring-fenced bank accounts set up for a construction project and used to make payments directly to the contractor, sub-contractors, consultants and other specified supply chain members on contractually agreed dates. The account is funded by the employer and, following certification under the agreed contractual arrangements, payments are made from the account simultaneously to all supply chain members. Monies in the account are protected by a trust and can only be paid out in accordance with the agreed arrangements.

Why does it matter?

This Bill is important because it facilitates payment to all parties in the supply chain simultaneously, significantly shortening payment periods for suppliers further down the supply chain. It will also protect payments should the tier 1 contractor become insolvent.

The main aims of the Bill are to:

- ▶ protect small business by speeding up payment and reducing payment abuse, particularly for those lower down the supply chain for whom late payment can have a significant impact against what are often very tight margins;
- ▶ allow for better cash flow management;
- ▶ reduce dispute and suspension of works; and
- ▶ reduce costs of projects, as the greater security provided by project bank accounts reduces risk which can be factored into pricing.

Now what?

The second reading in the House of Commons was scheduled for 1st March 2019 and we await the publication of the Bill.

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