

Guidelines for deploying Welsh Government Project Bank Account Policy

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Contents

Introduction	3
1. PBAs: A mechanism for fairer payments.....	4
2. What is a Project Bank Account?	4
3. Implementation of PBAs.....	8
4. Post Award.....	13
5. Acknowledgements	14
Annex 1- Minimum requirements for a PBA product	15
Annex 2 - Process diagram for the creation of a PBA	16
Annex 3 - PBAs in the Procurement process - flowchart.....	18
Annex 4 – Example Project Bank Account information leaflet for bidders.....	19
Annex 5 – Model Documentation - Procurement Process.....	21
Annex 6 – Model Documentation - PBA Documents.....	22
Annex 7 – Example PBA KPIs	36

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- The information set out in this document 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 reflects the position as at 1st January 2018
- This guidance is consistent with the Project Bank Accounts Procurement Advice Note (PAN) both of which can be found on the Procurement Route Planner website in the Policy and Resources Toolkit <http://prp.gov.wales/toolkit/>.
- Although this guidance note is primarily written to cover the use of Project Bank Accounts in construction/infrastructure projects, the principles could equally apply to other industries / sectors.

Introduction

The Welsh Government is committed to using procurement as a lever for driving economic, social and environmental benefits and supporting jobs and growth. Public procurement should help promote Wales as a good place for doing business and should provide mechanisms that allow suppliers of all sizes to flourish. Project Bank Accounts (PBAs) are a mechanism that supports this ethos.

Although PBAs have been developed in response to poor supply chain payment practices that persist, in the construction industry, they can be applied in any contract that relies on sub-contractors.

PBAs represent best practice in ensuring fair and prompt payment in the supply-chain. It is important to ensure cash flow through supply chains to reduce the risk of supply chain failure for Welsh businesses and enable more rapid circulation of money through the economy and local communities.

PBAs provide security and certainty of payment to the supply chain and can deliver efficiency savings. Research by the UK Fair Payment working group mapped typical traditional existing payment regimes against a Fair Payment best practice process; that research indicated that savings in the region of 1% could accrue for Fair Payment and Project Bank Accounts. These savings could rise over time if the supply chain were able to reduce overheads relating to debt chasing and administration. The additional knock-on benefits of greater productivity and a reduction in construction disputes, and supply chain failures are difficult to quantify but they could be substantial. In addition, certainty over how much and when payment is made builds trust between supply team members and underpins collaborative working to achieve value for money projects for clients.

Welsh Government's PBA Policy has been informed by the experience of PBA implementation by UK Government Departments (Highways England) the Northern Ireland Executive and Scottish Government supplemented by a series of pilot projects in Wales between 2015 and 2017

Public bodies in Wales are strongly encouraged to adopt the Welsh Government policy on Project Bank Accounts (PBAs) that will demonstrate compliance with the requirements of Principle 6 of the Wales Procurement Policy Statement to 'use Project Bank Accounts where appropriate'.

This guidance sets out the minimum requirements for a Project Bank Account and the roles and responsibilities of the organisations involved. This guidance also outlines the requirements to be considered when using PBAs, what they are and how they can be implemented on relevant projects.

1. PBAs: A mechanism for fairer payments

Whereas payments normally made direct to the lead contractor are paid onto the supply-chain later, PBAs allow simultaneous payments within 3-5 days from the deposit of money into the PBA following certification of the claim to the lead contractor and supply chain partners. Utilising PBAs on projects facilitate prompt payment through the supply chain helping to alleviate to cash flow pressures that can have a considerable effect on smaller companies who rely on cash flow to a greater extent than companies 'above' them in the supply chain.

By ensuring that public sector payment terms (maximum 30 days) are applied PBAs prevent cash flow issues for sub-contractors that result from the much more lengthy payment terms of Tier 1 / main contractors (typically significantly longer than 30 days). This approach can also improve business-to-business relationships by limiting the scope of disputes over payments and in so doing reduce overheads relating to debt chasing and administration.

Welsh Government is leading by example by requiring Welsh Government Departments to use PBAs, unless there is a compelling reason not to do so on all construction and infrastructure projects and any other appropriate contracts valued at £2m or more which are delivered, funded or part funded by Welsh Government Departments. Therefore public sector bodies delivering projects or contracts fully or part funded by Welsh Government should ensure they are familiar with Welsh Government's PBA policy as they may be required to use a PBA as a condition of funding.

2. What is a Project Bank Account?

A Project Bank Account:

- Is simple and cost effective to set up and operate for all parties.
- Can provide insolvency protection for the money been paid into the PBA.
- Provides visibility over the timing and value of payments to the supply chain.
- Can be audited easily by the client.
- Supports collaborative working and allows suppliers to focus on delivery.

A Project Bank Account does not:

- Involve client prefunding
- Cut across contractual provisions governing the preparation and submission of interim applications or the valuation, authorisation or certification of interim payments
- Take away the lead contractor's responsibility for managing and selecting the supply chain so that the work is performed in accordance with the contract. The client's role is merely to confirm payment transfers from the account
- Remove statutory obligations for VAT, taxation accounting liabilities etc. from the client or suppliers
- Add any more than a minimal cost for bank charges to the project, as interest earned by the account can be used by the contractor to off-set banking fees.

PBAs are 'ring-fenced bank accounts' with trust status that act solely as a receptacle for transferring funds from the client to the lead contractor and supply-chain.

For projects delivered via the Welsh Mutual Investment Model (WMIM) approach, the 'client' is the Project Company /Special Purpose Vehicle established to manage the project. In WMIM projects, PBAs will need to be made a condition of contract when appointing Senior Lenders that will require the Project Company established to manage the construction phase to implement a PBA with their main contractor.

As the PBA has trust status, monies can only be paid to the named beneficiaries of the PBA e.g. the lead contractor and participating sub-contractors.

Key benefits of Project Bank Accounts:

- Payments are accelerated through the supply chain
- Supply chain spend and payment flows are transparent and provide a mechanism to measure payment timescales down the supply chain
- Payment terms through the supply chain are determined by the client rather than contractors further up the supply chain
- Risks & costs linked to payment delays are mitigated through faster payment
- Risk of supply chain failure is reduced as a result of improved cash flow
- Supply chain achieve cost benefits resulting from early and certain payments
- Provide a mechanism to measure payment timescales down the supply chain
- All monies paid into the account are secure

2.1 How do PBAs work?

The parties involved:

There are two different types of party involved in a PBA. These are:

- **Trustees** – the client and the lead contractor who have responsibility for authorising the payments to be made out of the PBA
- **Beneficiaries** – the lead contractor and any participating sub-contractors who receive monies paid out of the PBA. Any supplier involved in the delivery of the project can be a Beneficiary, regardless of what tier they are in.

When setting up a PBA both the client and the lead contractor, as Trustees of the account, complete and sign a **Trust Deed**, along with a **Bank Mandate**.

Participating sub-contractors can either join the PBA at the very start of the project or at a later date. In order to join the sub-contractor signs a **Deed of Adherence / Joining Deed**, which is then countersigned by the Trustees.

Examples of these documents can be found at Annex 6.

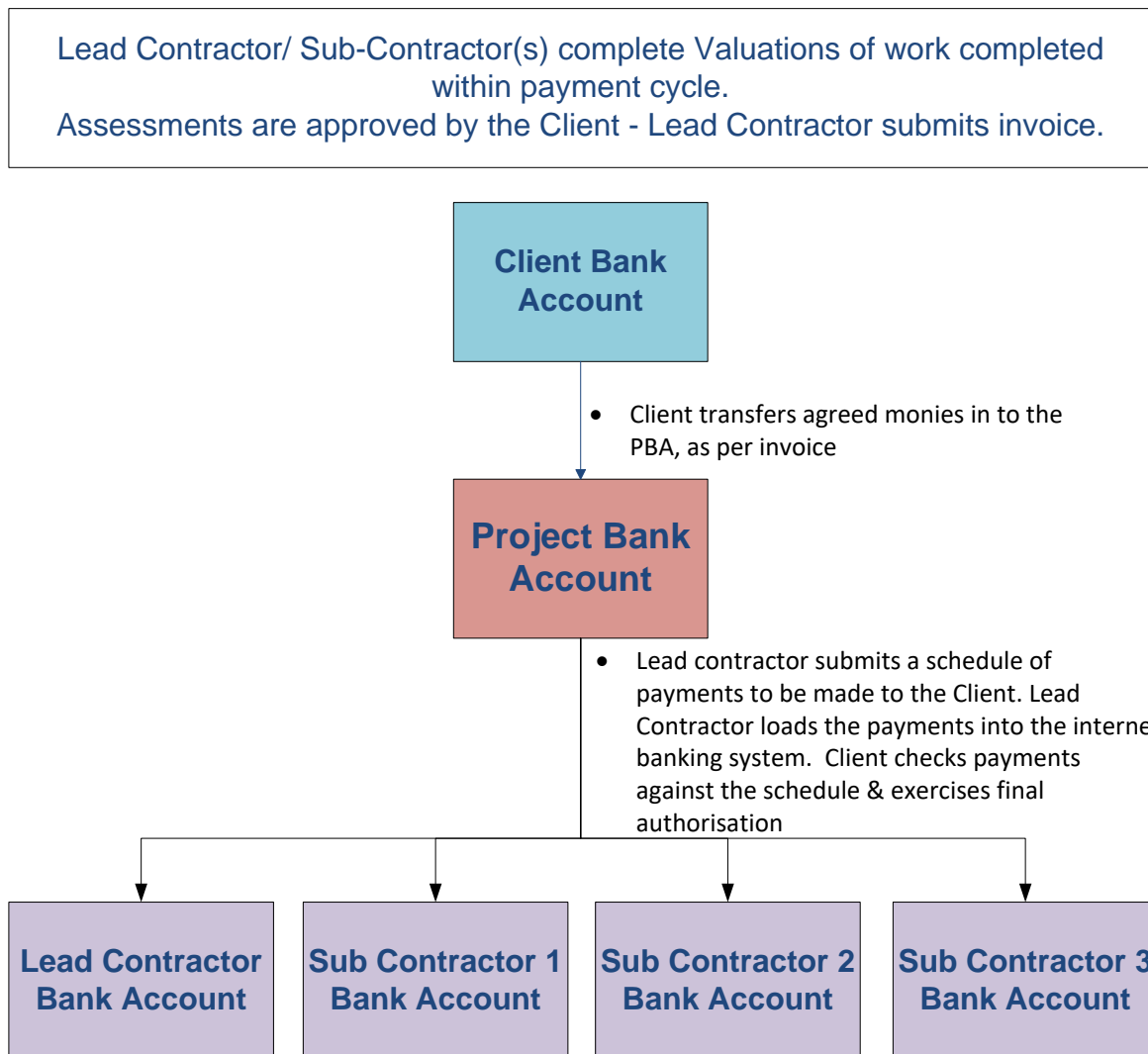
The Payment process:

A PBA is simply a payment mechanism. The standard processes for assessing and agreeing the value of work completed within a payment cycle takes place as normal and an invoice is still required from the lead contractor. Once the invoice has been received, the client pays the total amount of monies due in to the Project Bank Account.

In order to facilitate this, contractors need to align their supply chain payment cycles with the payment cycle agreed with the client – this is one of the key difference between a PBA payment process and a non-PBA payment process.

The Trustees - Client and the Tier 1 / lead contractor in the case of a Joint Trustee account or the Tier 1 / lead contractor in the case of a Single Trustee account, then authorise payment to the lead contractor and each of the participating sub-contractors who are to be paid within the payment cycle (i.e. the Beneficiaries). Once authorisation has been given by the Trustees, payments are made within 3-5 working days.

PBA money route



2.2 Account Options:

There are two approaches advocated to operate a PBA:

- **Joint account** - joint client and contractor account where an Account is opened in both names.
- **Single or Sole account** – sole contractor account where the lead contractor opens the account in its name only.

Regardless of which approach is chosen, there are two key requirements for the PBA account:

- Both the client and the contractor should be trustees to the account
- Both the client and the contractor should jointly authorise payments at each payment cycle

Whilst both of these approaches offer the same level of security and payments of funds to the supply chain, there are advantages and disadvantages for the client of each option, as follows:

Joint Account:

Advantages:	Disadvantages:
<ul style="list-style-type: none"> - Give greater control as the client is party to the account and can instigate opening of the account. - It is easier to align financial systems if the client uses their own banking provider - Client can ensure all projects using PBAs have a consistent approach using the same bank. 	<ul style="list-style-type: none"> - Some public sector organisations may have regulations prohibiting them entering into a joint bank account with a supplier, and therefore can't set up a joint account. - If the bank chosen for the joint account is new to the Contractor they would be subject to rigorous due diligence checks on the opening of the account which may add to the time it takes to open account.

Sole Account:

Advantages:	Disadvantages:
<ul style="list-style-type: none"> - The Contractor may be more amenable to the introduction of PBA if they can use their bank of choice (providing it provides PBAs that comply with the minimum requirements – see Annex 1). - Resolves the issues where some public sector organisations may have regulations prohibiting them entering into a joint bank account. 	<ul style="list-style-type: none"> - Client has less control in the opening of the account. - If the client has several projects with several contractors and sole accounts, they could have a number of different banking providers to deal with. - Client will need to ensure their IT systems allow installation of software from the chosen Bank which may be required in order to access internet banking systems.

Regardless of which type of account is selected, the client should:

- ensure the account is compliant with the minimum requirements as referenced above.
- maintain as much control as possible over the selection of the bank and monitor the account closely.

3. Implementation of PBAs

3.1 Overview:

PBAs are most beneficial where there is a supply chain consisting of two or more tiers. It is generally the suppliers in the lower tiers who benefit the most from PBAs as they are paid at the same time as the Lead Contractor, rather than waiting for the money to work its way down the supply chain.

Projects of any value and duration can benefit from a PBA as long as there is a supply chain that will benefit from prompt payment. A key factor in assessing if a project is suitable will be the duration of the project and the subcontract packages involved. Welsh Government policy advises that PBAs should be considered on all construction and infrastructure projects and any appropriate contract of £2m or more. This is mandated for contracts of this nature directly delivered by Welsh Government unless there is a compelling reason not to do so'. It may also be required on projects subject to Welsh Government funding conditions.

A Procurement Advice Note (PAN) has been produced by Welsh Government to inform and provide guidance to the public sector in Wales about the implementation of Project Bank Accounts (PBAs). The PAN is available from the Procurement Route Planner Toolkit - <http://prp.wales.gov.uk/toolkit>.

3.2 Considerations:

When implementing a PBA the following factors need to be considered:

a) When are PBAs most appropriate to use?

PBA are best suited to...

- construction and infrastructure projects.
- projects with a duration of 6 months or more.
- contracts where there are sub contracting opportunities valued at 1% or more of the contract value.

PBAS are less suited to...

- projects shorter than 6 months
- projects where the successful bidder (i.e. tier 1) gives a firm undertaking to self-deliver and/or use subcontractors (i.e. tier 2) from within the parent company to which the tier 1 also belongs, such that one, other or a combination of both is more than 75% of the main contract award value,

then the commissioning body may choose whether or not to proceed with the PBA.

b) Who is to be included in the PBA?

You should specify how much of the supply chain is to be paid through the PBA. Ideally this should be the whole supply chain, unless agreed otherwise, although the following exceptions may be applied:

- Suppliers who are paid more frequently than monthly;
- Non-vulnerable suppliers not wishing to participate;
- Suppliers with payment cycles which cannot be aligned with the head contract; and
- Sub contract packages valued at less than 1%.

Where the above exceptions are applied you must still ensure that processes are in place to pay suppliers outside of a PBA promptly i.e. within a maximum of 30 days for valid invoices.

c) How will you measure use of the PBA?

Key Performance Indicators (KPIs) should be agreed with the lead contractor to:

- Ensure a certain percentage of supply chain spend is paid through the PBA (see Annex 7);
- Ensure those not paid through the PBA are paid within agreed timescales.

d) Is the selected Bank Account appropriate?

The UK Government's Cabinet Office has set minimum requirements¹ that should be in place for all Project Bank Accounts - see Annex 1. The client should ensure that the PBA product chosen conforms to these minimum requirements.

3.2 Pre-procurement Actions

Pre-planning is essential as the PBA will be easier to set up and manage if it is built in to the project from the start. The following are the key steps that you should follow:

- Decide whether it is appropriate to use a PBA on the project:

¹ The Government Construction Board's (GCB) Fair Payment User Group has agreed a minimum requirement that a PBA product should conform to. This requirement is detailed in the UK Government's Cabinet Office's A Guide to implementation of Project Bank Accounts in construction and Annex 1 of this document.

- Take into account the complexity of the project, its duration, value and the supply chain that will benefit.
- Identify the processes required to meet your internal governance requirements:
 - Who will approve the PBA documentation and how? For example, who will approve and sign the Deeds of Trust, Deeds of Adherence / Joining Deed, Bank Mandate.
 - Who will agree payments due to the lead contractor and each of their named suppliers and how?
 - Who will be responsible for paying money into the PBA and authorising payments out?
 - Who will agree why certain supply chain members may not be paid directly from the PBA and the criteria this will be based upon?
- Ensure PBAs are well communicated with internal stakeholders:
 - Develop presentation slides and information sheets
- Assess the readiness of your organisation. Areas to consider include:
 - Training requirements
 - Setting up the account, who will manage this process; which bank will be used, the clients or the main contractors?
 - Operating the account and setting typical interim payment cycles
 - Changes to tender and contract documents
- Ensure PBAs are well communicated to potential bidders:
 - Prepare a briefing pack for the lead contractor and extended supply chain for use in the procurement process – see Annex 4
 - Include information in any relevant procurement about PBAs and how you will operate them.

3.3 Procurement Process Actions

The following activities should be built in to your procurement exercise:

- **Communicate your intention to use PBAs within the OJEU Contract Notice**, published on <http://www.sell2wales.gov.uk>. The OJEU notice must state that a PBA will operate on the project and that this will meet the minimum requirements set out in Annex 1.

Example wording for OJEU advert –
 “A Project Bank Account will operate on this project / framework and is required to adhere to the minimum requirements detailed in the Guidelines for deploying Welsh Government PBA Policy.

You can also state that, as a minimum, the PBA should extend to a designated percentage of the value of sub-contracted payments used on the project.

- **Brief tenderers on the benefits using PBAs**

It is important that the client (public sector contracting authority) ensure the benefits of PBAs are understood and prospective tenderers understand that they should communicate these benefits down the supply chain to maximise sub-contractor sign up to the PBA.

To support this, you should prepare a briefing pack and information sheet for tenderers outlining both the benefits and requirements of using a PBA (see Annex 4 for example documentation).

Where possible you should include information on your website detailing what is a PBA, how it operates and why it is being used. Suggested content could include:

- Your PBA policy
- What is a PBA
- How do PBAs work
- Benefits of implementing PBAs
- Impact on the supply chain

- **At the tender stage include clauses in your ITT documents referencing the use of PBAs and include specific requirements on how the PBA will operate.**

Open Procedure

If you are using the Open Procedure you should ensure that PBAs are appropriately referenced in the contract specification and that the initial minimum requirement questions at the start of the tender includes the following question as a 'Yes / No' Pass / Fail;

Restricted Procedure

If you are using the Restricted Procedure you should ensure that PBAs are appropriately referenced in the contract specification and at the Pre-Qualification Questionnaire (PQQ) supplier selection stage include the following question as a 'Yes / No' Pass / Fail;

- Use the following question at the supplier selection stage in your PQQ to determine if potential lead contractors are willing to use PBAs as a mechanism to ensure fair and prompt payment in line with Welsh Government

policy. You should make this a pass/fail issue, i.e. answering 'no' will exclude the prospective tenderer from the process.

Question text: If you are a lead contractor, the buyer may require, under the contract, that you use a Project Bank Account as the primary method of payment to some or all of your sub-contractors. Are you willing to comply with this requirement?

Answer: Yes / No

Supplier Guidance: The buyer will only select you to tender if you agree to the use of Project Bank Accounts as the sole method of payment to sub-contractors during the stipulated contractual period. For more information on Project Bank Accounts, please see <http://prp.wales.gov.uk/>

Standard Documents:

You should include standard clauses in your ITT documents setting out the requirements of a PBA, along with copies of the documentation which the successful contractor will need to complete once the contract is awarded.

If the bank is known when the ITT is issued, you can include the following documents:

1. Request to set up a PBA
2. Trust Deed
3. Bank Mandate

It is important to engage with a bank at the earliest stage but if the bank is not known when the ITT is issued, you need only attach the Trust Deed. As outlined in section 2, it is important that you stay involved in the selection of the bank to ensure compliance with the UK Government's Cabinet Office minimum requirements for a PBA product.

Clauses & Standard forms of contract:

Most modern construction forms of contract have provisions for the use of PBAs, including NEC, JCT and PPC2000. As these forms of contract are subject to regular updates, you should check the current versions.

- *NEC3 Z or Y provisions:*
 - Assumes that a Contractor sole account has been used.
 - Provides for both client and contractor to be Trustees to the account and authorise payments out of PBA.

- *JCT and PPC200:*
 - Assumes that a joint account has been used.
 - Provides for both client and contractor to be Trustees to the account and authorise payments out of PBA.

For any other forms of contract used that may not have PBA clauses already prepared, simple enabling provisions need to be introduced. As a minimum, these should:

- State that due payments are to be routed through the PBA
- Provide the details of how the PBA will operate
- Provide that payments into the PBA qualify as discharge of payment (up to the amount paid in).

Framework Agreements:

PBAs can be used with Framework agreements. When setting up a framework it should be explicitly stated in the tender documentation that a PBA will be used as the preferred method of payment at call off stage. When calling off from the framework, the normal procedure for setting up a PBA will apply.

Contract Management provisions:

You should consider how use of a PBA can be tracked and measured in your overall contract management strategy. The use of PBAs should be incorporated into the KPIs for the project (see Annex 7).

Through the use of KPIs you can statistically identify when the PBA payment method has been used and how this effected the way contractors were paid within your project. This will be a clear indicator as to how PBAs effective and efficient the PBA was as a method of payment for contractors.

4. Post Award

Once it has been agreed by all parties that a PBA is to be setup, the process of opening a PBA is relatively straightforward.

Once contact has been initiated with the chosen bank you, in partnership with the lead contractor, will need to:

- Complete and return the Account Application form and adhere to any due diligence requirements.
- Complete the Trust Deed and Deed of Adherence / Joining Deed.
- Obtain confirmation from the Bank that they recognise the account is underpinned by a Trust Deed and that any monies in the account are ring fenced and cannot be used to offset any debits of contractor or subcontractors.
- Complete the Bank Mandate.
- Ensure that the internet banking process is being established - if you are not using your own bank you may need to install software provided by the bank on to specified computers in order to access third party software to authorise payments.

Timescales for opening a PBA will depend upon the Bank chosen and whether your organisation and / or the Lead contractor has an existing relationship with the Bank.

Annex 2 outlines the full process for setting up a PBA with the provider of your choice.

5. 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:-

- [A Guide to the implementation of Project Bank Accounts \(PBAs\) in construction for government clients](#) Cabinet Office 03 July 2012.
- [Project Bank Accounts - Briefing document](#) Cabinet Office 10 February 2012.
- “A Guide to best Fair Payment practices” The Office of Government Commerce (OGC) 2007

Annex 1- Minimum requirements for a PBA product

UK Government's Cabinet Office minimum requirements for the Project Bank Account

These minimum requirements are based on recommendations made by the Government Construction Board (GCB) Fair payment user group and sets out some minimum requirements for the Project Bank Account:

1. The account needs to be linked to a Trust Deed so that the money is ring-fenced and can only operate with joint agreement of both parties.
2. The banking service provided should not materially alter the operation of the Trust Deed or the PBA.
3. To be a beneficiary of the PBA the Deed of Adherence must join the parties.
4. Dual agreement is to be required before the payment is to be made, i.e. the lead contractor / client knows that it can only act when both parties have agreed to the payment and one party can not alter the payment without the agreement of the other party.
5. The bank must be informed and acknowledge that a Trust Deed exists and that operation of the payments are governed by this Deed.
6. Transactions must be easily available for the client to view from the bank report no more than one day after payment.
7. All of the contractors and sub contractors signed up to the PBA Trust Deed should be paid at the same time. Once authorisation has been given by the Trustees, payments are made typically made within 3-5 working days.
8. Payments from the PBA should only be able to be made to the contractor and other named supplier beneficiaries.
9. No cheque facility is to be made available on the account.
10. No overdraft facility is to be available on the account.
11. Confirmation is to be obtained from the PBA bank that monies are held in Trust and that they cannot be used to offset any other contractor/supply chain liabilities.
12. There is an obligation on the Lead Contractor to inform the client and appropriate members of the supply chain and trustees of any changes to the PBA with respect to alteration to any terms and payment authorisations.

Annex 2 - Process diagram for the creation of a PBA

Item	Procedure	Notes
1	<p>ITT to include copy of proposed Trust Deed</p> <p>If Bank is known at ITT stage the Client can include in ITT:</p> <ul style="list-style-type: none"> - Request to set up PBA - Trust Deed - Bank Mandate 	<p><i>The Trust Deed should be included for contractors to consider before award.</i></p> <p><i>If the Client knows which bank they will use the other documents can be included ready for completion on award.</i></p>
2	<p>Award of Contract</p> <p>Client requests completion and return of:</p> <ul style="list-style-type: none"> - Request to set up PBA - Trust Deed - Bank Mandate 	<p><i>Contractor required to complete and sign all three and return within 7 days – must be signed by the appropriate person e.g. Director / Company Secretary or both.</i></p>
3	<p>When forms are returned and the standstill period has ended they are countersigned by the appropriate person within the Client</p>	
4	<p>If the Bank Account is not pre-determined before award of contract, the Client and successful contractor agree:</p> <ul style="list-style-type: none"> - The Bank to open the PBA account. - Whether the account is to be a sole account or joint account. 	<p><i>The PBA product must comply with the Cabinet office minimum requirements.</i></p> <p><i>The Bank does not have to be one which either Contractor or the Client has an existing relationship – but if new due diligence checks will need to be undertaken.</i></p> <p><i>Whether a sole or joint account, the Client should remain involved in the decision of which bank is used.</i></p>
5	<p>Client and Contractor agree the supply chain members involved in the PBA. Any known at the time of Contract Award are joined to the Trust Deed.</p>	<p><i>The Client should assume inclusion of all unless there are exceptions agreed with the Contractor.</i></p>
6	<p>Any Subcontractors appointed after award of contract who will be paid through the PBA, sign a joining Deed when appointed. This is counter signed by Contractor & the</p>	<p><i>Joining Deed to include subcontractor's bank details.</i></p> <p><i>Contractor adds the sub contractor</i></p>

	Client.	<i>details to internet bank system.</i>
7	First payment – normal assessment of payment is made by the contractor and the Client. The Client certifies payment to the Contractor and completes a PBA payment authorisation form listing payments to be made from the PBA to the lead contractor and sub-contractors that month.	<p><i>The process of preparing and certifying monthly valuations or milestones remains unaltered by the PBA.</i></p> <p><i>The key change is that the main contractor also submits a breakdown setting out payments due to them and each named supplier.</i></p>
8	Payments are authorised through the bank's internet banking system by designated persons within the Client and contractor organisations.	
9	Upon clearing of funds in the PBA payment is made to all parties listed on the payment authorisation.	<i>The Client's funds will take approximately 3 days to clear.</i>
10	The Client checks payments have been made correctly	

Annex 3 - PBAs in the Procurement process - flowchart

The flowchart below shows at a glance how contracting organisations should incorporate PBAs throughout their procurements to ensure their effective adoption within their organisation and supply chain.

Procurement Process	Considerations	Support and further information
1. Business Case	<ul style="list-style-type: none"> ▪ Determine the suitability of the project for PBAs and support that may be required 	<ul style="list-style-type: none"> ▪ Contact vwpolicy@gov.wales for support, advice and available training
2. Publish OJEU Contract Notice on www.sell2wales.co.uk	<ul style="list-style-type: none"> ▪ Communicate intention to use PBAs with supply chain from the outset 	<ul style="list-style-type: none"> ▪ Example wording in Annex 5
3. Tender Process Selection stage	<ul style="list-style-type: none"> ▪ Use of PQQ PBA question ▪ Address PBAs in all stakeholder engagement activities 	<ul style="list-style-type: none"> ▪ PQQ PBA question in Annex 5 ▪ PBA information leaflet for bidders
4. Tender Process Invitation to Tender (ITT)	<ul style="list-style-type: none"> ▪ Terms and Conditions to include use of PBAs, sample documentation for completion may also be included 	<ul style="list-style-type: none"> ▪ Example wording in Annex xxx can also include template for Request to set up PBA, Trust Deed & Bank Mandate
5. Award of Contract / Framework	<ul style="list-style-type: none"> ▪ Agree preferred bank ▪ Request account opening forms for completion ▪ Complete Trust deed ▪ Agree supply chain inclusion 	<ul style="list-style-type: none"> ▪ Process diagram for the creation of a PBA - Annex 2
6. Contract Management / Call-offs	<ul style="list-style-type: none"> ▪ Monitoring of the use of PBAS, perhaps through KPIS 	<ul style="list-style-type: none"> ▪ Example KPIs in Annex 7
7. Closure of the PBA Case study to capture lessons learnt	<ul style="list-style-type: none"> ▪ All funds have been paid to all approved payees on the PBA & the construction project has now reached its completion. 	<ul style="list-style-type: none"> ▪ PBA trustees need to instruct their nominated bank that the PBA needs to be closed ▪ Lessons learnt need to be captured

Annex 4 – Example Project Bank Account information leaflet for bidders

Project Bank Account Information Leaflet

The Project Bank Account (PBA) has been introduced to increase and promote fair payment practice in Welsh Public Sector Contracts.

Welsh Government has adopted the use of PBAs as policy on all suitable public sector construction and infrastructure projects.

What is a Project Bank Account?

It is an interest bearing account which is ring fenced with trust status which acts as a means to transfer funds from the client to the lead contractor and the supply chain in a timely manner and within the timescales stated in the Welsh Fair Payment Guidance.

The presence of a trust deed ensures once monies are paid into the account they are only accessible to the parties to the trust deed – the main contractor and the members of its supply chain who have agreed to be joined to the deed.

Benefits:

- Is simple and cost effective to set up and operate for all parties
- Ensures prompt payment of invoices to the supply chain
- Transparent management of cash flow
- Gives all parties the surety and confidence that all monies due to and from the account are secure
- Provides a cost efficient and effective means of supply chain payment
- Is easily auditable by clients
- Supports the principle of collaborative working and allows suppliers to focus on delivery

PBAs at a Glance:

A PBA:

- Is an interest bearing account with trust status
- Has no facility for cheque book or overdraft
- can be set up in sole name of Main Contractor (single account) or joint names of Client and Main Contractor (dual account)
- Whether single or dual account requires two parties to the Trust Deed and joint authorisation of payments by Client and Contractor

Why use a PBA?

When money is due on a payment cycle within a public sector project, once payments have been certified the monies paid into the account are then distributed to each supply chain organisation simultaneously if payment is due. This ensures money is not held up as it makes its way down the supply chain and removes the opportunity for payment abuse

Main Contractors – What does it mean for you?

- You need to ensure your supply chain payment cycles are aligned with the main contract
- You need to complete forms to open a PBA either jointly with the Client or as a sole account depending what is agreed, but the account must meet minimum requirements
- You need to ensure each supplier to be paid through PBA signs a Joining Deed
- You need to submit with your usual monthly assessments a breakdown of monies due to the supply chain on that payment cycle
- When the money is paid into PBA by the client, main contractor and all suppliers are paid monies due simultaneously

A PBA does not undermine a main contractor's ability to manage the supply chain; it does not interfere with any contractual provisions or statutory responsibilities

FAQ:
A PBA does not affect the Main Contractor's turnover or shareholder value – (the IFRS, 5 Application note G par 60 confirms.)

The process of preparing and certifying monthly valuations or milestones largely remains unaltered by the PBA. The only change in the process will be the main contractor submitting a schedule of amounts due to the supply chain for payment

FAQ:

PBAs are no more complicated than a normal bank account; it simply has a trust status attached to it to protect the monies paid in for the benefit of those signed up

How does it impact on the Supply Chain?

- The majority of tier 2 & 3 suppliers will benefit from a significant acceleration in payment of their invoices;
- PBAs can include suppliers further down the chain at Tiers 4 & 5 to ensure smaller businesses benefit from improved payment times
- To be included you will need to complete a Joining Deed – this allows payments to be made via internet banking system and secures those payments due in each payment cycle
- The normal process of submission of claim for payment, assessment and certification remains unchanged

Annex 5 – Model Documentation - Procurement Process

OJEU wording:

“A Project Bank Account will operate on this project / framework and is required to adhere to the minimum requirements detailed in Welsh Fair Payment Policy. Payment for suppliers outside the Project Bank Account must comply with the Welsh Fair Payment Policy”

SQuID Question:

Suggested Standard Supplier Selection Question for adding to SQuID question catalogue:

Note to buyers	Question text	Answer	Supplier Guidance
<p>FS.CON.03</p> <p>Note to buyers: If you are planning to use Project Bank Accounts you should either specify this clearly up-front (and not include this question) or amend the guidance to make the requirement clear. It is recommended that you treat this as a pass/fail issue.</p>	<p><i>FS.CON.003a01v01</i></p> <p>If you are a prime contractor the buyer may require, under the contract, that you use a Project Bank Account as the primary method of payment to your sub-contractors? Can you comply with this?</p>	<p>Yes / No</p>	<p><i>The buyer may only select you to tender if you agree to the use of Project Bank Accounts as the sole method of payment to sub-contractors during the stipulated contractual period.</i></p> <p><i>For more information on Project Bank Accounts please see)</i> http://prp.wales.gov.uk/</p>

ITT wording/clauses:

Most modern construction forms of contract have provisions for the use of PBAs, including NEC, JCT and PPC2000.

- **NEC3 Z or Y provisions:** The standard drafting of the PBA clauses under NEC 3 assumes that a Contractor sole account has been used.
- **JCT and PPC200:** the standard drafting of the PBA clauses assumes that a joint account has been used.

Annex 6 – Model Documentation - PBA Documents

Example Templates:

- Request to Open a Bank Account Form
- Project Bank Account – Trust Deed
- Schedule 1 - Details
- Schedule 2 – Bank Mandate
- Schedule 3 – Draft Deed of Adherence

Request to Open a Project Bank Account Form

Example Request to Open a Project Bank Account Form

The information attached to this form contains personal information and must be held, processed and transmitted in accordance with the Data Protection Act 1998

Account type

The Project Bank Account shall have trust status. The trustees will be the Employer, the Contractor and the Named Suppliers as set out in the Trust Deed, and where required the Joining Deed(s). Copies of these documents will be provided to the Bank providing the Project Bank Account.

The Project Bank Account must:

- be subject to the bank terms and conditions attached at Annex 1;
- have no overdraft facility;
- have no cheque facility;
- accept authorisation of payment from the account only where it bears a signature of an authorised representative of the Employer and a signature of an authorised representative of the Contractor; and
- allow payments from the account only to trustees who have executed the trust deed or a joining deed.

Regulatory Assurance

The Project Bank Account will be used to facilitate payments to the Contractor and Named Suppliers in respect of a construction contract between the Employer and Contractor for

_____ (the Works).

Money deposited in the account will be provided by the Employer wholly or mainly from public funds.

Application to open a bank account

We request (name of bank): _____

of (address): _____

to open a Project Bank Account in the names of:

_____ (Employer) and

_____ (Contractor).

The account name shall be:

The account shall operate in accordance with the bank terms and conditions attached.

Employer

Signed on behalf of the *Employer* on (date): _____

Signature: _____ Position²: _____

Name of Signatory: _____

Home Address: _____

Confirmation of the identity and home address of the above signatory must be provided. These must be in the name of the person who has signed above:

Requirements for confirmation of identity and home address:

A clear photocopy of the identification page of the passport or photographic counterpart of the driving licence must be attached. This is to be certified as a true and accurate copy by the Project Manager.

A clear photocopy of the document that evidences the home address such as a utility bill showing the name and home address must be attached. This is to be certified as a true and accurate copy by the Project Manager.

² To be signed by a director of a limited company (authorised to do so) or partner of a partnership (authorised to do so) or senior official of public body (authorised to do so) or an individual sole trader.

Contractor

Signed on behalf of the *Contractor* on (date): _____

Signature: _____ Position³: _____

Name of Signatory: _____

Home Address: _____

Confirmation of the identity and home address of the above signatory must be provided. These must be in the name of the person who has signed above:

Requirements for confirmation of identity and home address:

A clear photocopy of the identification page of the passport or photographic counterpart of the driving licence must be attached. This is to be certified as a true and accurate copy by the Project Manager.

A clear photocopy of the document that evidences the home address such as a utility bill showing the name and home address must be attached. This is to be certified as a true and accurate copy by the Project Manager.

³ To be signed by a director of a limited company (authorised to do so) or partner of a partnership (authorised to do so) or an individual sole trader.

Bank terms and conditions to be attached here.

These are to be obtained from the Bank providing the Project Bank Account and should be carefully checked by the Employer to ensure that they are compatible with the specification provided by the Grant Awarding Body

Trust Deed

We hope that the attached Trust Deed proves helpful to you. Whilst we have endeavoured to ensure that the information in this document is correct, it has been written as a general template in order to provide you with a starting point only. You should seek your own legal advice before using or customising the Trust Deed for your specific purposes.

The Trust Deed is provided on an “as is” basis and we hereby exclude any and all representations, warranties, conditions and other terms (whether express or implied) concerning the trust deed to the maximum extent permitted by law.

Example Trust Deed

THIS DEED is made the day of 20[] BETWEEN: -

- (1) **The Client** (as detailed in Schedule 1 to this Deed);
- (2) **The Contractor** (as detailed in Schedule 1 to this Deed); and
- (3) **The Sub-Contractors** (as detailed in Schedule 1 to this Deed). Collectively referred to in this Deed as “the Parties”.

Background

A. The Client has engaged the Contractor to carry out the Project (as defined below).

B. To assist in the development and performance of the Project, the Contractor has engaged the Sub-Contractors to carry out certain parts of the work required in respect of the Project as set out in more detail in the Sub-Contracts (as defined below).

C. The Parties wish to adopt a payment mechanism which will (i) ensure the fair payment of both the Contractor and the Sub-Contractors; and (ii) that the Sub-Contractors receive payment at the same time as the Contractor. To achieve this objective, the Parties have agreed to operate a bank account in accordance with the terms of this Deed.

1.0 Definitions

1.1. In this Deed, the following words have the following meanings:

“Account Holders”	means the Client and the Contractor;
“Bank”	means the bank where the Bank Account will be held as set out in Schedule 1 to this Deed;
“Bank Account”	means a bank account opened with the Bank which has no overdraft facility into which all monies due under the Contract will be paid by the Client in accordance with this Deed;
“Bank Mandate”	means the instructions as to the operation of the Bank Account as agreed between the Account Holders and the Bank as set out in Schedule 2 to this Deed;
“Contract”	means the contract between the Client and the Contractor in respect of the Project as detailed in Schedule 1 to this Deed;
“Project”	means the project defined in Schedule 1 to this Deed;

“Sub-Contract”	means a sub-contract agreement between a Sub-Contractor and the Contractor in respect of the Project; and
“Term”	means from the date of this Deed until such time as all monies due to the Contractor and the Sub-Contractors under the Contract and/or the Sub-Contracts have been paid in full.

2.0 Bank Account

2.1. The Account Holders undertake to open a new interest bearing deposit bank account with the Bank, such account to be opened and held in the names of the Account Holders.

2.2. The Client undertakes to pay all monies due to the Contractor and/or the Sub-Contractors under the Contract and the Sub-Contracts into the Bank Account as and when such monies become due for payment in accordance with the terms of the Contract.

2.3. The Parties agree that any monies paid into the Bank Account shall, as from the date on which such monies are paid into the Bank Account, be kept separate and distinct and clearly identifiable and shall be held on trust for each of the Contractor and the Sub-Contractors in the amounts owing to them as set out in the Account Holder’s instructions to the Bank for the payment of monies to the Contractor and the Sub-Contractors. The Contractor and the Sub-Contractors acknowledge that they have no rights and/or interest in the monies held in the Bank Account other than as a beneficiary of the monies owing to them.

2.4. If for any reason the total amount of monies deposited by the Client in the Bank Account is less than the total amount of monies which has been authorised by the Account Holders for payment to the Sub-Contractors and the Contractor, the monies held in the Bank Account shall be allocated to and held on trust for each of the Sub-Contractors and the Contractor in the same proportions that the monies owed to them forms of the total amount of monies owed at that time to the Sub-Contractors and the Contractor collectively.

2.5. The Client acknowledges that, as and when monies are paid by it into the Bank Account in accordance with the Contract, it will cease to have any further rights and/or interest in such monies.

2.6. The Account Holders accept that, irrespective of any disputes, which may arise in respect of work performed by the Contractor and/or the Sub-Contractors, the Account Holders may not withdraw any monies from the Bank Account (other than in the case of the Contractor where it may withdraw monies owned by it).

3.0 Operation of the Bank Account

3.1. The Account Holders each agree that:

3.1.1. They will sign the Bank Mandate as soon as reasonably practicable following execution of this Deed and, in any event, within 21 days of the date of this Deed;

3.1.2. They will operate the Bank Account at all times in accordance with the Bank Mandate, this Deed and the Contract. If there is any conflict between the Bank Mandate, this Deed and/or the Contract, the documents shall take precedence in the following order:

3.1.2.1. This Deed;

3.1.2.2. The Bank Mandate; and

3.1.2.3. The Contract.

The Bank Account shall not become overdrawn;

3.1.3. they will keep accurate, complete and up to date books of account and records of all transactions relating to the Bank Account, including but not limited to details of all payments out of the Bank Account authorised by the Account Holders and any bank charges payable;

3.1.4. if the Account Holders have the ability to authorise transactions in respect of the Bank Account via an electronic facility operated by the Bank, each Account Holder shall ensure that its access details for such facility are only made available to those of its employees and/or representatives which need to know such information and that such employees and/or representatives are aware of the confidential nature of the access details, the Bank Account details and the Bank Account transactions;

3.1.5. They are each responsible for the acts and/or omissions of their own employees and/or other representatives as if they were its own acts and/or omissions;

3.1.6. They are each liable for their own acts and/or omissions under this Deed and have no liability for the acts and/or omissions of the other Account Holder;

3.1.7. They hold all monies in the Bank Account on trust for the full and exclusive benefit of the Contractor and the Sub-Contractors in accordance with clause S 2.3 and 2.4 above.

3.2. As and when payment milestones set out in the Contract have been achieved, the Account Holders shall identify any payments due under the Contract and the Sub-Contracts and:

3.2.1. The Client shall promptly pay the monies due under the Contract into the Bank Account;

3.2.2. As and when the monies have cleared, the Account Holders shall promptly authorise the Bank to make any payments due pursuant to the Contract and/or Sub-Contract to the Sub-Contractors and/or the Contractor from the Bank Account.

3.3. The Contractor agrees to inform each of the Sub-Contractors of the amounts which are to be paid to them from the Bank Account and the date on which the Sub-Contractor can expect to receive such payment on the same day as the Account Holders authorise the payments out of the Bank Account.

3.4. All payments to the Sub-Contractors and the Contractor shall be made by bank transfer. The Sub-Contractors and the Contractor must inform the Account Holders of their relevant bank account details and keep them up to date at all times. The Sub-Contractors and the Contractor accept that failure to do so may result in monies not being paid to them and that the Account Holders have no liability for such failure.

3.5. Any interest paid by the Bank in respect of the monies held in the Bank Account shall belong to the Contractor and may be withdrawn by it on conclusion of the works under the Contract.

3.6. Any bank charges, money transmission costs and other disbursements incurred in the establishment and operation of the Bank Account shall be borne by the Contractor.

4.0 New Sub-Contractors

4.1. If the Contractor appoints a new sub-contractor in respect of the Contract after the date of this Deed and agrees with that new sub-contractor that it shall be paid via the Bank Account, the Account Holders shall arrange for the new sub-contractor to sign a Deed of Adherence/Joining Deed in the form set out in Schedule 3 to this Deed.

4.2. The Parties agree that, in signing the deed of adherence, the Account Holders are signing on behalf of themselves and as agent for each of the Sub-Contractors. Each Sub-Contractor agrees to be bound by the terms of any deed of adherence validly executed by the Account Holders on behalf of all the Parties.

5.0 Removal of Sub-Contractor

5.1. If prior to the expiry of the Term a Sub-Contractor ceases to be involved in the Project for whatever reason (including but not limited to the termination of its Sub-Contract), the Account Holders shall arrange for the payment out of the Bank Account to the Sub-Contractor of any monies held on trust for the benefit of that Sub-Contractor.

5.2. On payment of all the monies due to it from the Bank Account in accordance with clause 5.1 above the Sub-Contractor shall cease to have any further rights and/or interests in the Bank Account.

6.0 Confidentiality

6.1. No party shall use and/or disclose any confidential information, which is acquired by it about another party's business and/or given to it by another party to this Deed except in the proper performance of this Deed.

7.0 Termination

This Deed shall continue for the Term, subject to early termination in accordance with clause 7.2 below.

7.1. This Deed shall immediately terminate if:

7.2.1. The parties agree in writing that the Deed should terminate; and/or

7.2.2. The Contract terminates and all monies have paid out from the Bank Account.

7.2. On termination of this Deed the Account Holders undertake to ensure all monies held on trust for the benefit of the Contractor and/or the Sub-Contractors and held in the Bank Account are promptly paid to the relevant parties (less any outstanding bank charges and expenses).

8.0 General

8.1. This Deed contains the whole agreement between the Parties and it supersedes any prior written or oral agreement between them and is not affected by any other promise, representation, warranty, usage, custom or course of dealing. The parties confirm that they have not entered into this Agreement on the basis of any representation that is not expressly incorporated into this Agreement. Nothing in this Deed shall exclude liability for any fraudulent statement or act made prior to the date of this Deed.

8.2. No waiver by any Party of any breach of this Agreement shall be considered as a waiver of any subsequent breach of the same provision or any other provision.

8.3. The invalidity, illegality or unenforceability of any of the provisions of this Deed shall not affect the validity, legality or enforceability of the remaining provisions of this Deed

8.4. No Party shall be liable for any delay or failure in performing its obligations under this Deed as a result of reasons beyond its reasonable control, including but not limited to acts of God, war, flood, fire, labour disputes, sub-contractor delays, strikes, lock-outs, riots, civil commotion, malicious damage, explosion, governmental actions and any other similar events. Failure to make payment due to insufficient funds in the Bank Account is not a force majeure event.

8.5. The Sub-Contractors are only liable for their own acts and/or omissions under this Deed and not the acts and/or omissions of any of the other Sub-Contractors. The Sub-Contractors are not jointly and severally liable under this Deed.

8.6. No party may assign its interest in this Deed (or any part) without the written consent of the other parties, such consent not to be unreasonably withheld or delayed.

8.7. None of the terms and conditions of this Deed shall be enforceable by any person who is not a party to it.

8.8. This Deed is governed by and interpreted in accordance with English and Welsh law (as it applies in Wales) and the parties agree to submit to the exclusive jurisdiction of the English and Welsh courts.

IN WITNESS OF THE ABOVE the parties execute this document as a Deed on the date written above.

EXECUTED and DELIVERED as a DEED
by **[INSERT NAME OF CLIENT]** Director
acting by:
Director/Secretary

EXECUTED and DELIVERED as a DEED
by **[INSERT NAME OF CONTRACTOR]** Director
acting by:
Director/Secretary

EXECUTED and DELIVERED as a DEED
by **[INSERT NAME OF SUB-CONTRACTOR]** Director
acting by:
Director/Secretary

Use the following execution wording if dealing with an individual:

SIGNED and DELIVERED as a DEED
by **[INSERT NAME]**
in the presence of:

Witness signature:

Witness name:

Witness address:

Witness occupation:

Schedule 1: Details

Client:	[insert name, address and company number of the Client].
Contractor:	[insert name, address and company number of the Contractor].
Sub-contractors:	[insert names, addresses and company numbers for each sub-contractor who will be a party to this Deed].
Bank:	[insert details of the Bank which will operate the Project Bank Account].
Contract:	Contract between (1) the client and (2) the contractor in respect of the project and dated [insert date] (contract reference number{ }).
Project:	[insert description of the purpose of the contract and the works to be performed under it].

Schedule 2: Bank Mandate

The Bank Mandate is required to.....

Example Bank Mandate

[Insert the instructions as to the operation of the bank account as agreed between the account holders and the bank]

EXECUTED and DELIVERED as a DEED
by **[INSERT NAME OF CLIENT]** Director
acting by:
Director/Secretary

EXECUTED and DELIVERED as a DEED
by **[INSERT NAME OF CONTRACTOR]** Director
acting by:
Director/Secretary

EXECUTED and DELIVERED as a DEED
by **[INSERT NAME OF SUB-CONTRACTOR]** Director
acting by:
Director/Secretary

Use the following execution wording if dealing with an individual:

SIGNED and DELIVERED as a DEED
by **[INSERT NAME]**
in the presence of:

Witness signature:

Witness name:

Witness address:

Witness occupation:

Schedule 3: Draft Deed of Adherence

The Deed of Adherence is required when sub contractors join post the initial Project Bank Account set up.

Example Deed of Adherence/Joining Deed

THIS DEED OF ADHERENCE is dated the day of 20[]

BETWEEN: -

(1) **THE CURRENT PARTIES** (as defined below); and

(2) **[INSERT NAME OF NEW SUB-CONTRACTOR]** (Company number: {}) whose registered office is at {} ("New Party").

Background

A. The Current Parties have entered into a deed dated {} which governs the operation of a project bank account into which all monies due under the Contract (as defined below) are paid.

B. The New Party is a sub-contractor of [insert name of contractor]. It has been agreed by [the Client and] the Contractor that the New Party will be paid for its work using the Project Bank Account (as defined below).

C. This Deed of Adherence constitutes the terms upon which the New Party agrees to be paid for the work it performs for the Contractor via the Project Bank Account and sets out the New Party's rights and interests in the monies contained within the Project Bank Account.

1.0 Definitions

1.1. In this Deed the following words have the following meanings:

"Admission Date"	means [insert date];
"Client"	means [insert name of client];
"Contract"	means the contract between the Client and the Contractor dated {} for [insert details of the project];
"Contractor"	means [insert name of contractor];
"Current Parties"	means the persons/organisations whose names are set out in Appendix 1 to this Deed of Adherence being the current parties to the Deed;
"Deed"	means the Deed between the Current Parties dated { } which sets out the basis on which the Project Bank Account is to be operated; and
"Project Bank Account"	means the bank account held in the name of the Client and the Contractor at [Barclays Bank Plc] account number { } into which all monies due in respect of the Contract are to be paid.

APPENDIX 1: THE CURRENT PARTIES

[insert details of the current parties to the Deed]

EXECUTED and DELIVERED as a DEED
by [INSERT NAME OF CLIENT]
acting by:
Director
.....
Director/Secretary

EXECUTED and DELIVERED as a DEED
by [INSERT NAME OF CONTRACTOR]
acting by:
Director
.....
Director/Secretary

EXECUTED and DELIVERED as a DEED
by [INSERT NAME OF NEW PARTY]
acting by:
Director
.....
Director/Secretary

Annex 7 – Example PBA KPIs

These are the recommended minimum KPIs in order to record how quickly payments get through to the supply chain and how much of what is asked for at each payment cycle is paid to the supply chain through the PBA:

Implementation performance:

- Proportion of supply chain by volume participating in PBA.
- Proportion of supply chain by value participating in PBA.
- Reasons for non-participation of supply chain members.

PBA payment performance at each payment cycle:

- Client payment performance from Due date to deposit of certified sum in PBA (in calendar days).
- Payment performance from deposit of certified sum to receipt of payment by beneficiaries bank (in calendar days).
- The amount claimed by each PBA beneficiary at each payment cycle.;
- The amount authorised to each PBA beneficiary at each payment cycle.
- The amount paid to each PBA beneficiary at each payment cycle.

Payment performance for the supply chain outside PBA at each payment cycle

- Payment performance - average time taken for payments to reach sub-contractor's account from the date on which the Project Manager certifies payment (in calendar days).
- Payment performance - Shortest time taken for a payment to reach a sub-contractor's account from the date on which the Project Manager certifies payment (in calendar days).
- Payment performance - Longest time taken for a payment to reach a sub-contractor's account from the date on which the Project Manager certifies payment (in calendar days).
- The amount claimed by each non-PBA sub-contractor at each payment cycle.
- The amount authorised to each non-PBA sub-contractor at each payment cycle.
- The amount paid to each non-PBA sub-contractor at each payment cycle.

You may want to express that either:

- a certain percentage of spend be paid through the PBA, for example 80% of project spend (excluding ancillary charges), OR
- A certain percentage of sub-contractors be paid through the PBA, with different percentages being provided for different tiers, for example 90% of all Tier 2 contractors, 80% of all Tier 3, 70% of Tier 3.

Other information which may be useful to record/collect:

- Any problems with the account opening procedure.
- Any problems with the operation of the account from Client or Contractor.
- Cost to set up and operate PBA.
- Any savings identified across the supply chain.
- Any governance issues.

Annex 8 – FAQ's

Q.1	Are PBAs complicated and time consuming to set up?	No, they are no more complicated than a normal bank account.
Q.2	What are the costs of a PBA?	The costs are minimal. Transaction costs, approx 35p per payment, can be offset by the interest earned on the account. There may be set up costs (< £1000) but these would not need to be expended on follow-on contracts.
Q.3	Does it affect the main contractor's turnover and shareholder value?	No – see the International Financial Reporting Standards (IFRS) ⁴ 5 Application, note G, paragraph 60.
Q.4	Does it undermine the main contractor's ability to manage the supply chain?	PBAs do not interfere with any contractual provisions. There is no change to the contractual and statutory responsibilities of the supply chain.
Q.5	Does it create CIS and VAT problems?	HMRC has confirmed there is no impact.
Q.6	Will it cause changes to processes and financial systems for the supply chain?	Some change may be experienced, but less time should be required to chase payments. The contractor will need to ensure they submit claims in accordance with the timescales of the PBA. To join the PBA the supply chain need to complete a Deed of Adherence or Joining Deed.
Q.7	Is a Client at risk from an adverse external audit if they are joint account holders on the Project Bank Account?	No, the money paid in by the Client is for the benefit of the beneficiaries. As a trustee, there is an obligation to manage the money on behalf of the beneficiaries but there is no title to it themselves.

⁴ For more information please refer to the IFRS / International Accounting Standards Board (IASB) website; <http://www.ifrs.org>