

# Project Bank Accounts Webinar

6 November  
9.30 - 11am

David Rennie  
Royal Bank of Scotland



Colin Judge  
Scottish Government

Andrew Cooper  
Transport Scotland



SCOTLAND  
**EXCEL**  
Supporting  
Scotland's  
Recovery

# Agenda

- Introduction and survey
- Colin Judge – Scottish Government
- David Rennie – Royal Bank of Scotland
- Andrew Cooper – Transport Scotland
- Panel Questions
- Survey

Supporting Scotland's Recovery



# Housekeeping



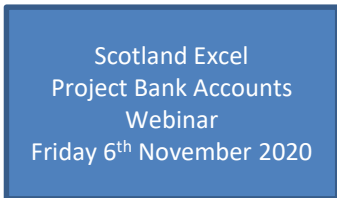
Please turn your camera and microphone off



This webinar is being recorded



If you have a question you can either use the “raise hand” button or type your question in the chat



A copy of the slide pack will be issued to you all

Supporting Scotland's Recovery





# Introduction



Helping Councils and Housing Associates procure New Build Residential properties

Quick and Compliant Route to Market

Project Bank Accounts included as an option

Supporting Scotland's Recovery



# Pre Presentation Survey

- Q1 - I am actively seeking to use a PBA in the next 12 months?  
(raise your hand if you believe this to be a true statement, or Type True 1 in the chat facility)**
- Q2 - Project bank accounts are time consuming and labour intensive (raise your hand if you believe this to be a true statement or Type True 2 in the chat facility)**



**Supporting Scotland's Recovery**



## *Project Bank Accounts*

## *presentation*



Colin Judge FRICS  
Scottish Government

***Scotland Excel Contract 1518  
New Build Residential  
Construction***

Webinar  
6 November 2020

# Project Bank Accounts

# rationale

un·sus·tain·a·ble

/ˌʊnsəˈsteɪnəbəl/

adjective

not able to be maintained at the current rate or level.  
"macroeconomic instability led to an unsustainable boom"

- **ECOLOGY**  
upsetting the ecological balance by depleting natural resources.  
"unsustainable fishing practices"
- not able to be upheld or defended.  
"the old idea was unsustainable"

**Late payment of subcontractors:**

***long-standing issue***

- disrupts their cashflow and hinders their investment and investability
- renders them more vulnerable to insolvency
- poses a threat to business, employment and personal wellbeing

***unfair and unsustainable commercial model***

- works against the fair distribution of commercial opportunity and personal prosperity
- disguises a firm's true financial position by overstating its viability
- prevents public procurement from fully contributing towards achieving Scottish Government's purpose

### sus.tain'abil'i.ty:

*n.*, the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs.

#### Power of Procurement

Public procurement is one of the strong levers helping to deliver Scottish Government's purpose:

- *“to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth”*

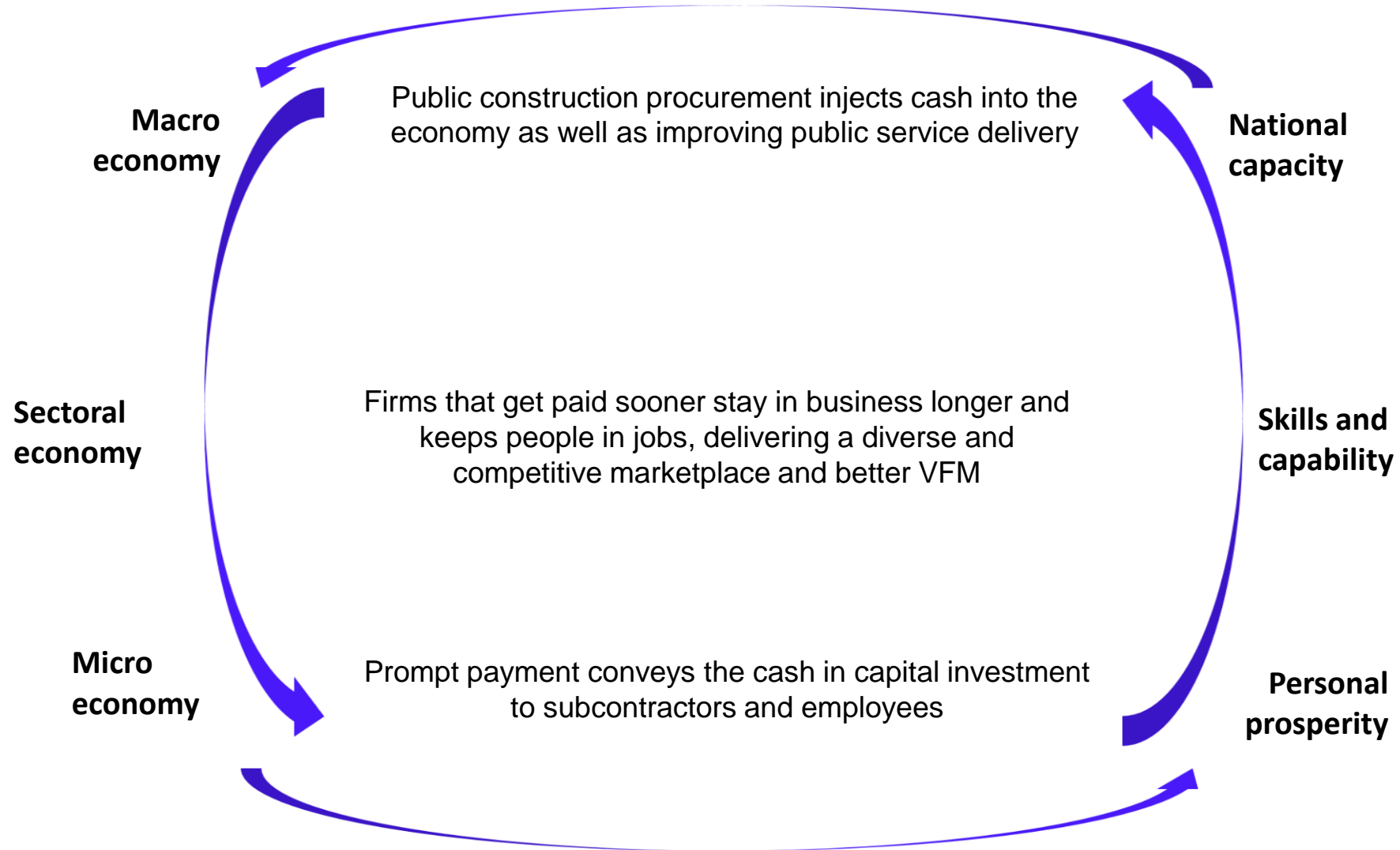
Public procurement does this by enabling:

- business and employment opportunities
- increased prosperity
- fair distribution of benefits



# *Project Bank Accounts*

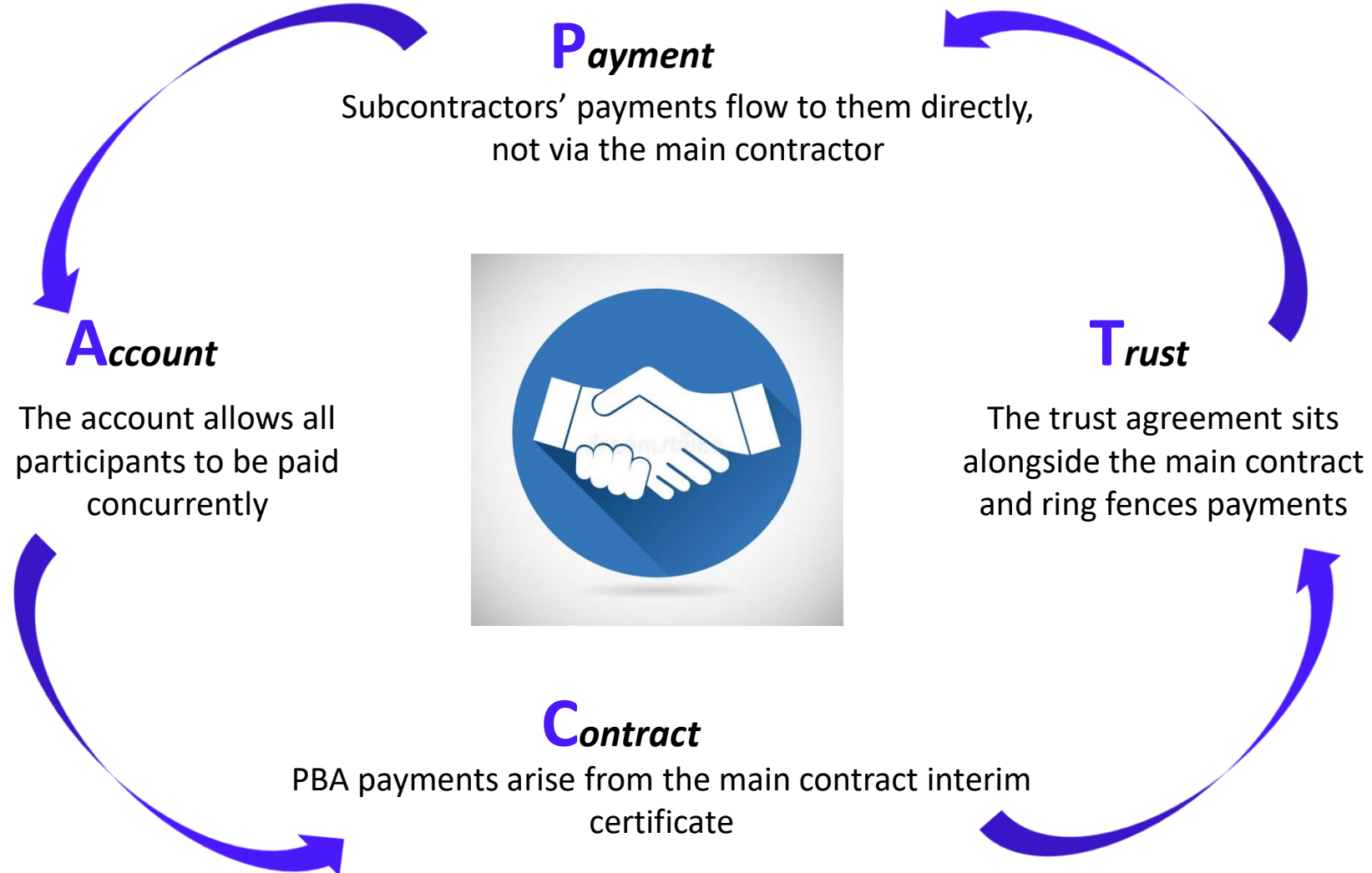
*synergy*



# Project Bank Accounts

## key features

A PBA is essentially a supply chain payment pact



# *Project Bank Accounts*

# *explained*

## **What is a Project Bank Account?**

- A PBA is a trust-based current bank account into which the Employer deposits progress payments for work executed under the public contract.
- Each beneficiary of the trust is paid for the value of work they've done on site at the same time.

## **What does a Project Bank Account achieve?**

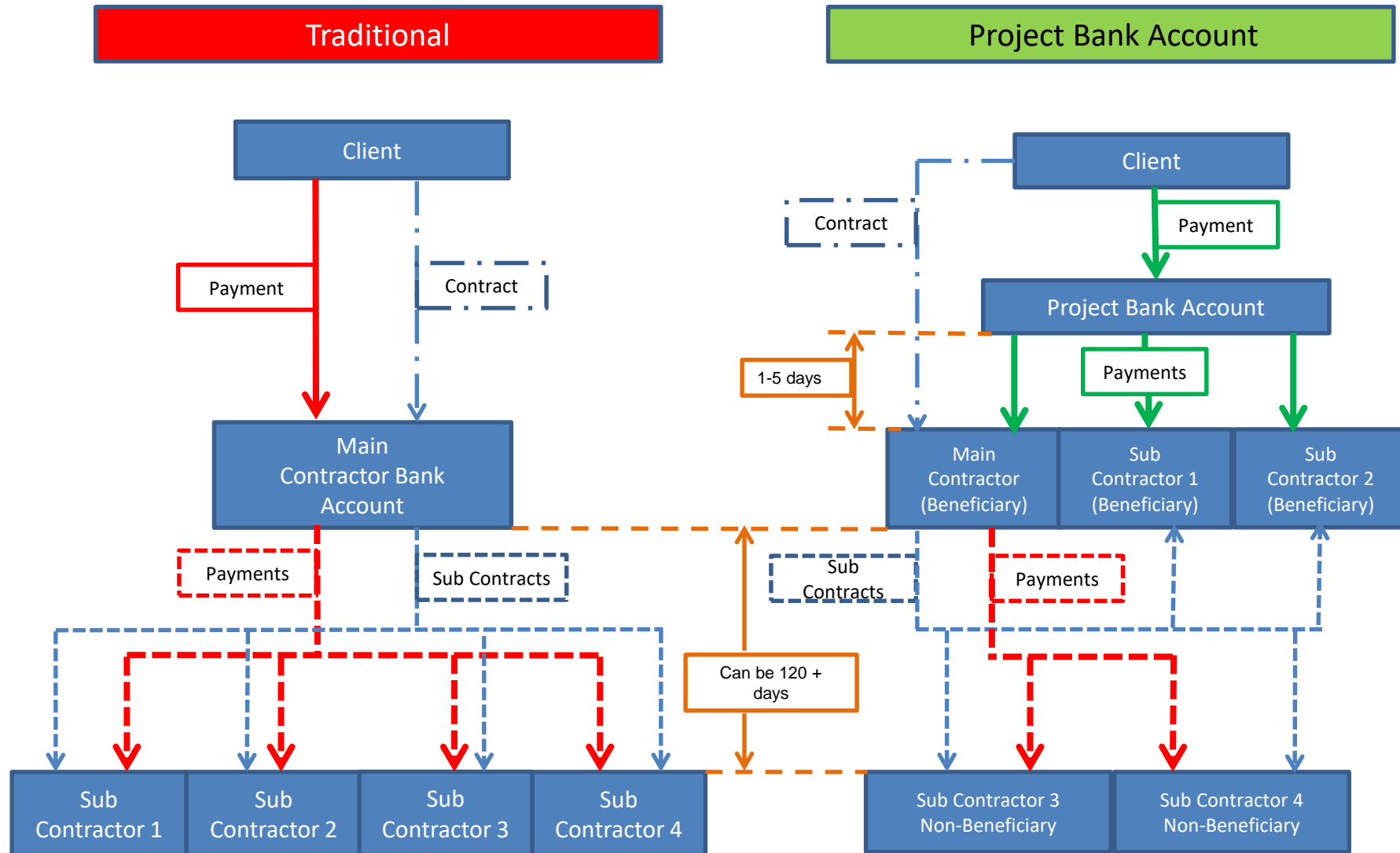
- The main contractor can no longer reduce, delay or withhold subcontractors' progress payments as they do not pass through his bank account.

## **How does a Project Bank Account work?**

- Valuation of progress payments under the public contract and in subcontractors' contracts proceeds normally except that the main contractor tells the Employer the sums that are due to each subcontractor.
- The main contractor and Employer jointly instruct the bank to make those payments from the PBA directly into each subcontractor's account.

# Project Bank Accounts

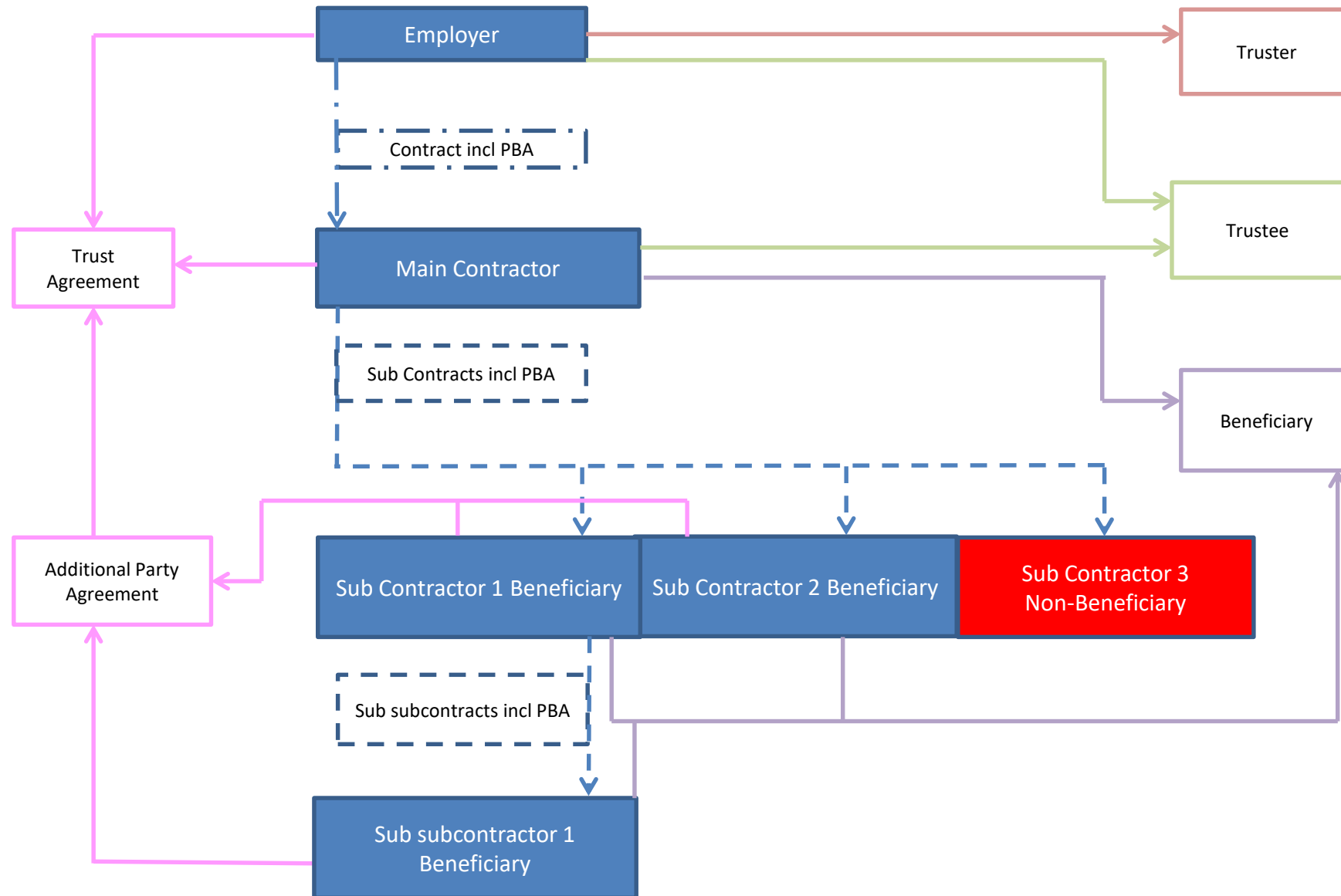
## payments





# Project Bank Accounts

## trust



# Project Bank Accounts

## components

### Applicability

- Building projects from £2m; Civil engineering projects from £5m
- Subcontractors > 1% main contract value must join
- Subcontractors < 1% main contract value can ask to join

### Legal and Contractual

- Client and main contractor sign a trust deed to become trustees
- PBA terms in the main contract replicated in sub-contracts
- Subcontractors sign Additional Party Agreement to become beneficiaries

### Banking

- The Royal Bank's PBA services are available to anyone wanting to commission them on a one-off or continuing basis
- Commissioning body should create the account
- Set and control the procedures and parameters
- Non-negotiable component of procurement process

# *Project Bank Accounts*

# *lessons*

## **Create the enabling infrastructure**

- procedures, systems and templates
- embody and convey
- legal, contractual and banking framework

## **Get leadership buy-in**

- signal the intent
- plan ways of working
- empower people to champion implementation

## **Identify, align and integrate interdependencies**

- identification, interaction and interdependencies
- disciplines, departments, processes and timelines
- within and between businesses
- identified and understood
- operate in concert to achieve the objectives of a PBA

# *Project Bank Accounts*

## *lessons*

### **Implement project management**

- Treat PBA implementation as project in itself
- Apply checks, balances, governance and resource

### **Recognise professional and commercial practice**

- operational conventions in the various disciplines involved in putting the PBA into effect **do not change**

### **Communicate the process**

- empower people to know when, and from whom, to seek or convey information about the PBA
- the value in a consistent approach
- common policies and procedures
- integrated inter-disciplinary perspectives
- consistent and cohesive multidisciplinary processes



## *Project Bank Accounts*

## *lessons*

### **Capture performance and enable continuous improvement**

- practical and objective metrics
- accessible, clear and simple
- enables PBA users to provide consistent information

### **Seek and enable continuous improvement**

- supplements objective data
- cultural and subjective issues
- informs better standards of practice and efficiency

# *Project Bank Accounts*

# *lessons*

## **PBA Champion**

- lead the enabling infrastructure set-up
- must be ready in time for ITT
- template contract notice, Ts&Cs and trust deed

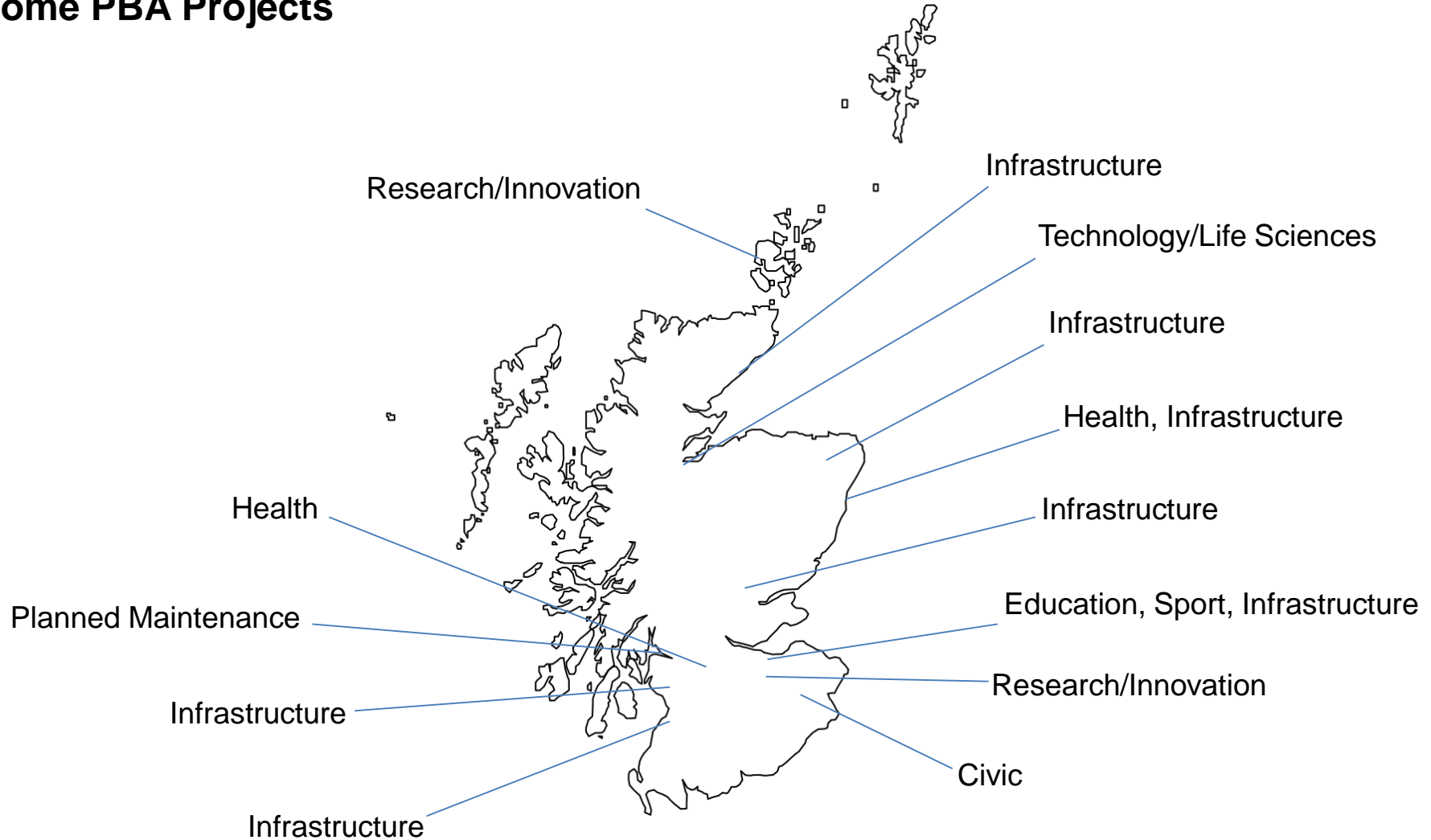
## **Make it happen**

- don't assume that procedures alone will embed a PBA
- no changes to work carried out by corporate functions
- need to be coherently marshalled and integrated

# *Project Bank Accounts*

reality

## Some PBA Projects



## **Late payment is EVERYONE'S problem**

- Office for National Statistics reported that the construction sector's 3,202 insolvencies in 2018 was the highest of any sector - up 14.7% on 2017.
- All of us in the public sector have a responsibility to think about how infrastructure investment projects can strengthen and develop our local economies and communities beyond asset delivery.
- Public procurement can enable businesses to grow in an inclusive and sustainable way to help create thriving local economies.
- Money earned and spent locally sustains further growth, employment and helps deliver more fairness in our society.
- Organisations in receipt of public funds, grants or contracts, are expected to adhere to the standards which drive fair working practices.
- These things matter to real people and it is our collective responsibility to hold these standards and values as public sector organisations.



## Setting up a PBA in Transport Scotland



## *Project Bank Accounts*

reality



### **The Royal Bank does Project Bank Accounts**

- The Royal Bank has a fully-integrated project bank account service.
- The Royal Bank's PBAs are being used on multiple Scottish public sector projects.
- A wide range of public bodies and main contractors have opened PBAs in joint names.
- The Royal Bank has conducted numerous workshops and round-table discussions public bodies and main contractors.
- The Royal Bank's online payment process can be completed on the same day if necessary, facilitating prompt payment of sub-contractors.

# Project Bank Accounts

## procurement



### Procurement Reform (Scotland) Act 2014

2014 asp 12

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Explanatory Notes have been produced to assist in the  
understanding of this Act and are available separately

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### **Sustainable Procurement Duty**

Before carrying out a regulated procurement the contracting authority must consider how the process can:

- (i) improve the economic, social, and environmental wellbeing of the authority's area;
- (ii) facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process; and
- (iii) promote innovation.

# Project Bank Accounts

## procurement



### Procurement Reform (Scotland) Act 2014

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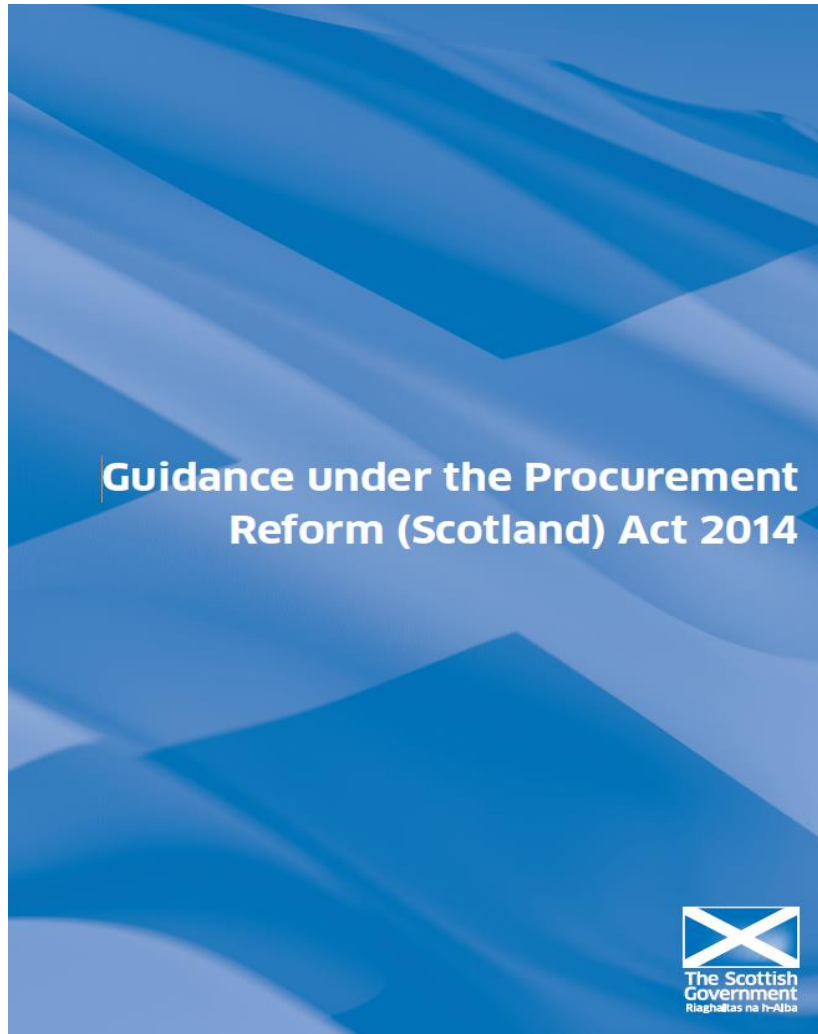
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#### **Procurement Strategy**

This must set out how the contracting authority intends to ensure, so far as reasonably practicable, that payments are made no later than 30 days after the invoice is presented:

- (i) payments due by the authority to a contractor;
- (ii) payments due by a contractor to a sub-contractor;
- (iii) payments due by a sub-contractor to a sub-contractor.

# Project Bank Accounts



## procurement

### Annual Procurement Report

This should detail the methodology a contracting authority has used to review its regulated procurements, including:

- prompt payment of subcontractors.

A contracting authority should consider monitoring the prompt payment of sub-contractors, for example:

- by carrying out spot checks; and/or
- using PBAs.

Mentioning the use of PBAs would help a contracting authority address the matters contained in its procurement strategy.

Project Bank Accounts



procurement





# Project Bank Accounts

reality



## **Tried**

Scottish trial period included pilot projects and background research into established UK and overseas practice.



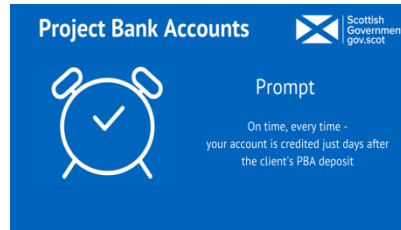
## **Tested**

Scottish Government's PBA model and the Royal Bank's PBA service has been successfully implemented by a wide range of commissioning bodies and contractors across many sectors and project types across Scotland.



## **Trusted**

PBAs prescribe an effective method for delivering prompt, protected and predictable payment for subcontractors on public works contracts in Scotland.



## Prompt payment

- Subcontractors' payments are deposited into their account within 5 days of the client paying the value of the interim certificate into the PBA



## Protected payment

- Trust status ring-fences money held in the PBA for subcontractors and excludes it from an insolvent main contractor



## Prescribed process

- Scottish Government has set out a client governance model for operating PBAs - a joint bank account; a joint trust agreement; and joint payment authorisation





## Predictable planning

- The transparent transition from amounts claimed to accounts payable can help subcontractors' improve their commercial planning

# Project Bank Accounts

engage

Project Bank Accounts 

 Prompt

On time, every time -  
your account is credited just days after  
the client's PBA deposit

Project Bank Accounts 

 Protected

Your money is safe -  
PBAs protect your cash from everyone

Project Bank Accounts 

 Prescribed

Plain and simple -  
PBA cashflow processes are practical  
and effective

Project Bank Accounts 

 Predictable

future planning -  
knowing when the PBA will pay means  
you can plan ahead



[“Scottish Project Bank Accounts”](#)



[@ScotProcurement](#)



[ProjectBankAccount@gov.scot](mailto:ProjectBankAccount@gov.scot)

# Opening and Operating Project Bank Accounts

**David Rennie, Relationship Director**  
**Public Sector & Higher Education, Scotland**

# Context

- SG policy introduced in 2016
  - <https://www.gov.scot/publications/construction-projects-implementing-project-bank-accounts/>
  - [ProjectBankAccount@gov.scot](mailto:ProjectBankAccount@gov.scot) for queries
- £2m for Building and £5m for Civil Engineering
- Brief description
- Royal Bank experience across Commissioning Bodies & Main Contractors

# Opening a PBA with the Royal Bank

- Procurement documentation
- When to engage with the bank
- Trust Deed
- Completion of paperwork
- Naming convention
- Timescales

# Operating a PBA with the Royal Bank

- Bankline Profile required
  - Add to existing or create new
  - Main account
  - Charges
- Monthly Process
  - Interim Certificate
  - Supplier setup
  - Payment setup
  - 1<sup>st</sup> Authorise
  - 2<sup>nd</sup> Authorise to release

## Summary and Questions

- Agree PBA usage upfront
- Get in touch early
- Be clear about roles

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07917 559 073



# Project Bank Accounts

**Andrew Cooper**  
**Procurement Adviser**

31/07/20

# What is a Project Bank Accounts (PBA)?

- Introduced by the Scottish Government following its review of Scottish Public Sector Procurement in Construction
- Ring-fenced project accounts
- Payments made directly **and** simultaneously
- Payments **only** to members of the project's construction supply chain

*PBAs can improve subcontractors' cash flow and ring-fence it from upstream insolvency*

# Construction Policy Notes and PBA's

- **CPN 1/2019**
- As of 19 March 2019 estimated values change to:
  - **≥£2,000,000** for building projects; *and*
  - **≥£5,000,000** for civil engineering projects

# Current Projects with PBA's

Contract	Value	Contractor	Current Status
<b><u>A737 The Den Realignment</u></b>	£9m	Interserve Construction Ltd	Operational
<b><u>A9 Luncarty to Pass of Birnam</u></b>	£96m	Balfour Beatty	Operational
<b><u>A9 Berriedale Braes Improvement</u></b>	£9.6m	RJ McLeod Ltd	Operational
<b><u>A90/A96 Haudagain Improvement</u></b>	£18m	Farrans Construction	Operational
<b><u>A77 Maybole Bypass</u></b>	£29m	Wills Bros Civil Engineering Limited	Operational
<b><u>A898 Erskine Bridge External Painting</u></b>	£18m	C Spencer Ltd	Operational

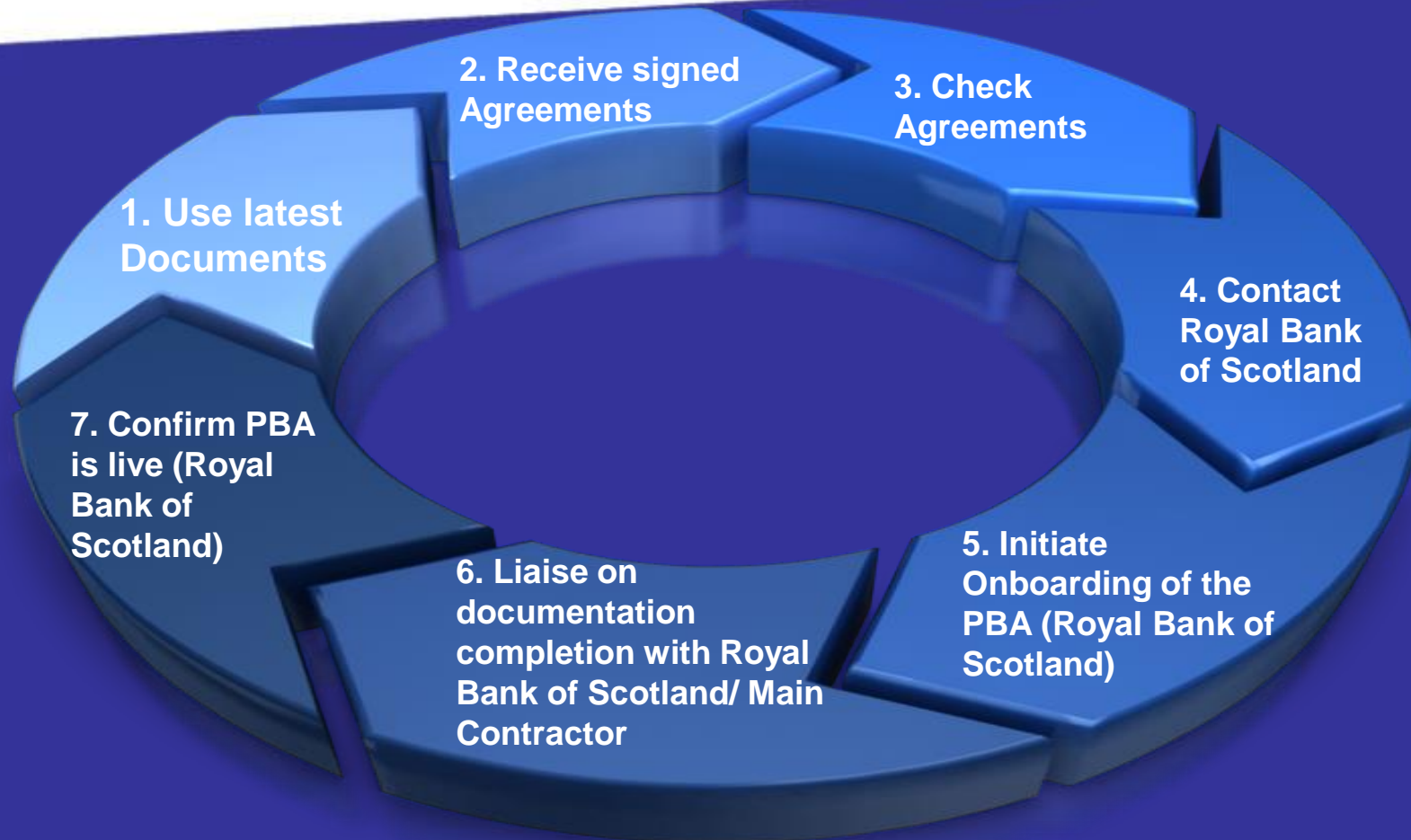
# Royal Bank of Scotland is the PBA Provider

- Royal Bank of Scotland is the current provider
- Accessed via the Scottish Government's Banking Framework.
- The Royal Bank of Scotland provide the Bankline System that is used for operating the PBA's.

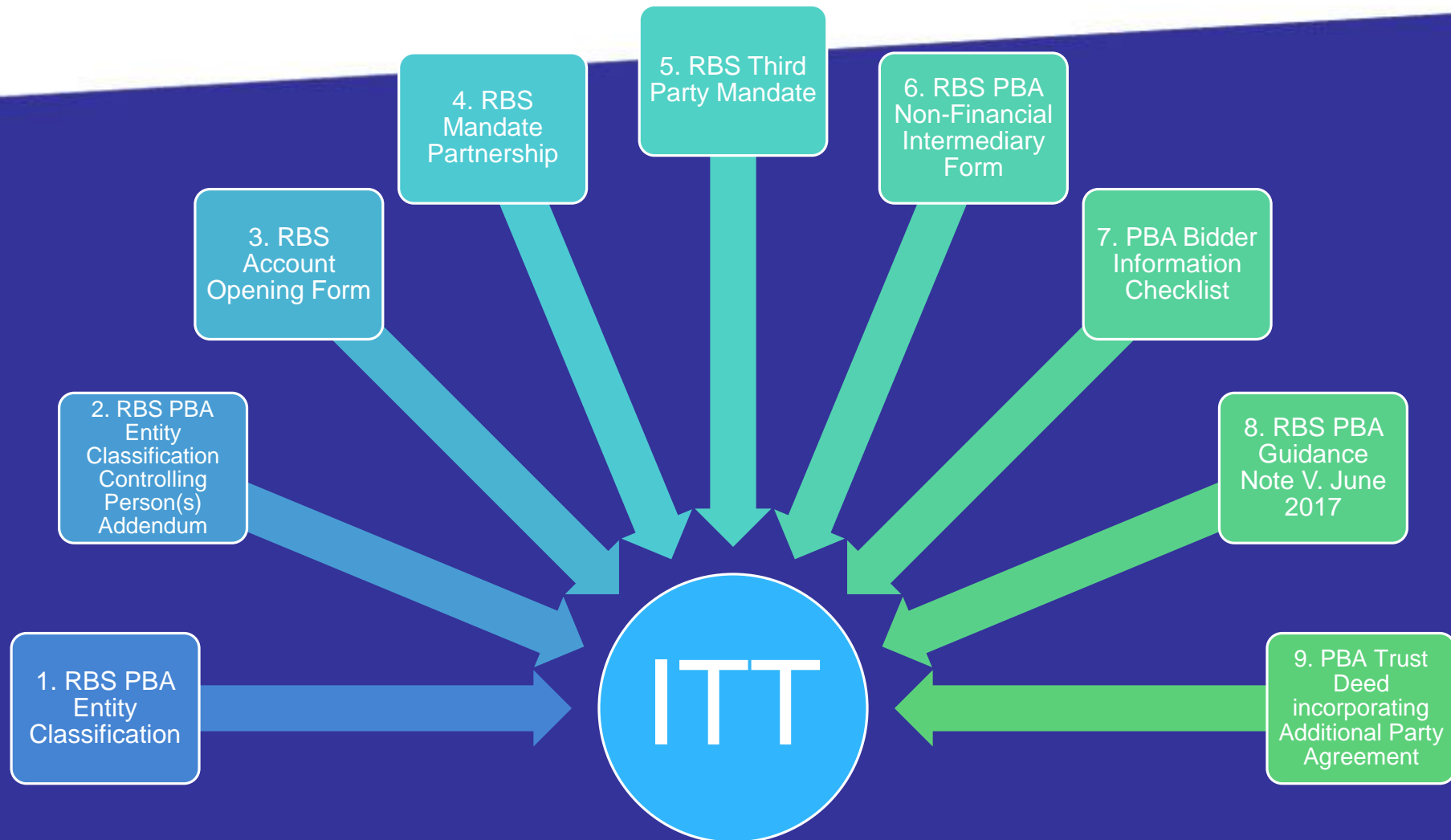




# Process of setting up a PBA



# The Nine Documents included in the Invitation To Tender



# How Transport Scotland Administer PBA's

1. Identify the PBA Administrator
2. Set up Contractor on Bankline
3. Register Royal Bank of Scotland Smart Cards and Readers
4. Issue Royal Bank of Scotland Smart Cards and Readers to individuals
5. Organise Bankline Training





# PBA Bankline Training

## Training For:

- TS Project Teams
- Project Managers
- TS Finance
- Main Contractors



*RBS can provide this training either face-to face or electronically*

# PBA Monthly Payment Process Timeline

Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7
Monthly Application submitted by <b>Contractor</b> & Certification by <b>Engineer</b> takes place (within 14 days of delivery to the Engineer). <b>Contractor</b> submits PBA Supplier Set-Up form, letter and Additional Party Agreement to <b>TS</b> for any new PBA beneficiaries.						
Day 8	Day 9	Day 10	Day 11	Day 12	Day 13	Day 14
Monthly Application submitted by <b>Contractor</b> & Certification by <b>Engineer</b> takes place (within 14 days of delivery to the Engineer). <b>Contractor</b> submits PBA Supplier Set-Up form, letter and Additional party Agreement to <b>TS</b> for any new PBA beneficiaries.						
Day 15	Day 16	Day 17	Day 18	Day 19	Day 20	Day 21
<b>Engineer</b> issues <b>payment certificate</b> to <b>TS Finance</b> ( <a href="mailto:invoices@transport.gov.scot">invoices@transport.gov.scot</a> ) with a copy issued to the <b>TS Project Team</b> . <b>TS Finance</b> processes and forwards <b>payment certificate</b> to <b>TS Project Team</b> for internal authorisation.	<b>TS Project Team</b> review <b>payment certificate</b> and have <b>2 days</b> to notify <b>TS Finance</b> once review is complete and payment is approved.	<b>TS Project Team</b> review <b>payment certificate</b> and have <b>1 day</b> to notify <b>TS Finance</b> once review is complete and payment is approved.	<b>TS Finance</b> receipt invoice on EaseBuy.	<b>TS Finance</b> match invoice for payment onto PBA site on SEAS.		
Day 22	Day 23	Day 24	Day 25	Day 26	Day 27	Day 28
Allow 2 working days for funds to transfer from TS account to PBA. Day 1.	Day 2. <b>Contractor</b> to check funds are cleared into PBA to allow early commencement of <b>key in process</b> (see Day 23). <b>Key ins remain on Bankline until the end of the business day.</b>	<b>Contractor</b> <b>keys in</b> the payment details (including sums to named beneficiaries). <b>Contractor</b> completes First Authorisation and informs <b>TS Project Team</b> . <b>Within business day of key in process</b> , <b>TS Project Team</b> check <b>Contractor's key ins</b> and complete final authorisation payment on PBA then inform <b>TS Finance</b> once completed.	Day 2 for completion of Key in process if required.	<b>RBS</b> process the payment (allow 1 day).  Beneficiaries to PBA receive payment.  Deadline for Scottish Government Prompt Payment.		

# Project Bank Accounts

**Andrew Cooper**  
**Procurement Adviser**

31/07/20

# Panel Questions



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# Post Presentation Survey

**Q1 - After today's session are you more likely to explore using a PBA in the next 12 months? (Raise hand if Yes or type "Yes 1" in the chat facility)**

**Q2 - After today's session do you feel like PBA's are easier to manage than you had originally thought? (Raise hand if Yes or type "Yes 2" in the chat facility)**



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# Thank you

Sarah-Claire Dahlstrom, [sarah.dahlstrom@Scotland-excel.org.uk](mailto:sarah.dahlstrom@Scotland-excel.org.uk)

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