



**By Len Bunton**  
FRICS FCIArb, HON FRIAS  
Contract Expert

# Building support for PBAs

An increasing number of UK construction projects are now adopting project bank accounts, including several high-profile ventures in Scotland. But what are the implications and benefits for SELECT Members?

Our industry experts go head-to-head to explain...



I'm glad to report that we have some particularly good news about project bank accounts (PBAs) for SELECT Members in this issue.

Currently, there are £700 million of construction projects about to be commissioned, or are in construction, where PBAs are in use.

Among these new projects, NHS Scotland's £320 million Elective Care Centre Programme is writing PBAs into its project requirements, while NHS Capital Works Estate, the new £650 million Framework Scotland 3 procurement model, is doing the same.

Transport Scotland has also included a good tranche of proposed investment in the national road network, in the very recently published Infrastructure Investment Plan, which is significant for PBAs.

And finally, the Scottish Fire and Rescue Service has written PBAs into its respective capital works programme, while the Scottish Prisons Service is running PBAs in live projects too.

OK, so that's the good news – but unfortunately, local government doesn't seem to be responding in the same way. As always, communication with your new MSP on this subject would be of great assistance to the industry.

So what is the implication of this increased PBA activity for SELECT

Members? To address some of the ongoing issues, I decided to pick the considerable brains of my fellow industry expert and SELECT consultant Professor Rudi Klein...

**Len Bunton:** Hello Rudi. This latest news is very encouraging for the industry in Scotland. But is the take-up in the rest of the UK increasing?

**Rudi Klein:** I'm happy to say that the picture is very encouraging across the

UK. In Wales, almost £1 billion of projects currently in the Welsh construction/infrastructure pipeline are earmarked as PBA projects. In Northern Ireland, almost £600 million worth of current public sector projects are using PBAs. For England, the Government is no longer collecting data, but it is estimated that £30 billion worth of project spend to date has been paid through PBAs. Highways England is the



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most prolific PBA user; by 2025, £17 billion of highways work will have been paid through PBAs.

**LB:** What do you consider are the essential benefits of PBAs to SELECT Members?

**RK:** The benefits for Members are three-fold:

- Payments are discharged well within 30 days
- The monies in the PBA are

protected from upstream insolvencies

- There is greater scope for collaboration given that concerns over payment security are substantially reduced.

**LB:** There are a few myths about concerning PBAs – so just to be clear, the sub-contractors do not need to pay anything to join the PBA, and it's a very straightforward process?

**RK:** You're right Len. On Scottish Government-funded projects you have a right to participate in a PBA, provided the value of your work is at least 1% of main contract value. If it is less, you can still ask to be included in the PBA. When involved in a PBA, SELECT Members should ensure they have notification of the dates when their monies are paid into the PBA and also the amounts which have been paid in. It would be very helpful to us if Members could let us have their experiences of PBAs – contact [iain.mason@select.org.uk](mailto:iain.mason@select.org.uk) to get in touch.

**LB:** Again, to be clear – the PBA is about the timing of payments, not the amounts themselves, and the sub-contractor's application for payment is processed in the normal way?

**RK:** While PBAs significantly reduce payment times and protect your cash, they do not determine what is due. You have to submit your payment applications as you do now, although the time periods for this will be much shorter. If the main contractor disputes your application, you still have to resolve such dispute directly with him. One other point: A PBA is not a pay-when-paid arrangement. Your main contractor must pay you that which is properly due irrespective of what is in the PBA.

**LB:** The guidance indicates that retention is not held in the PBA.

**RK:** I've never understood this, Len. There's no reason why retentions cannot be protected in a PBA.

**LB:** I think this one of the most important developments in the UK construction industry. Would you agree?

**RK:** I have been lobbying for almost 20 years to get PBAs in place. Not surprisingly, there was a massive backlash from main contractors eager to have

unrestricted access to their supply chains' cash and such opposition continues to this day. For me, PBAs are about instilling greater trust among the delivery team without which the industry is doomed to continue to under-perform. Finally, PBAs will overcome the age-old and inefficient practice of payments having to cascade through myriad contracting levels with payment periods becoming ever longer.