**PROJECT BANK ACCOUNT POSITION PAPER**

The FPS Commercial Committee recommend the use of Project Bank Accounts wherever possible.

Project bank accounts are a means of enabling faster payments through the construction supply chain. This is intended to reduce cash flow problems that can lead to supply chain members becoming insolvent, which is potentially catastrophic for projects, both in terms of money and time.

Project bank accounts are ring-fenced accounts from which payments are made directly and simultaneously by the client to all parties in the supply chain. Funds in the account can only be paid to beneficiaries, that is, members of the supply chain named in the account (the lead contractor and supply chain members).

As a consequence, supply chain members do not have to wait for higher-tier contractors to process payments, they receive them directly. This ensures:

* Certainty of payment.
* Security of payment.
* Speed of payment.
* Transparency.
* A reduction in the need for borrowing or financing credit.
* A reduction in the need to chase payments.
* A reduction in disputes.

This does not affect procedures for valuing and certifying payments, and does not remove the lead contractor’s responsibility for selecting and managing the supply chain.

Project bank accounts are best suited to projects with complex supply chains, irrespective of the size of the project. They can be ‘dual authority’ or ‘single authority’ accounts depending on whether both the client and lead contractor instruct payments, or only the lead contractor. The account is held in the names of trustees (the client and lead contractor for dual authority accounts or just the lead contractor for single authority accounts). This trustee status means that in the case of insolvency amounts already paid into the project bank account and payable to the supply chain are secure and can only be paid to them.

The government estimates that if they are fully implemented, project bank accounts can deliver almost 1% savings in the cost of construction projects.

It is important to be aware that project bank accounts can take some time to set up so it may be necessary to agree alternative payment arrangements at the start of the project so as not to delay payments. Choosing a bank where the main party already has a relationship can speed up the process.

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