

# Industrial Strategy

**Securing jobs and a  
stronger economy**

## **CONSTRUCTION SUPPLY CHAIN PAYMENT CHARTER**

*Our ambition for 2025 is that the construction industry's standard payment terms are 30 days and that retentions are no longer withheld.*

30 days / 30 days  
ZERO retentions

Fair and transparent payment practices are essential to the achievement of successful integrated working on construction projects. This Charter applies to all parties to construction contracts with the aim of helping to create a more collaborative culture and ensure a strong, resilient and sustainable supply chain.

This Charter builds on and complements existing legislation and policy, namely the Housing Grants, Construction & Regeneration Act 1996 (as amended); the Late Payment of Commercial Debts Regulations 2013; the Fair Payment Charter; Cabinet Office Procurement Information Note 2/2010; and the Prompt Payment Code.

By becoming a signatory to this Charter, an organisation agrees to apply the fair payment commitments in its dealings with its supply chain, to be monitored for the purposes of compliance by reporting against a set of agreed key performance indicators (KPIs), and to consider the performance of its supply chain against the agreed KPIs when awarding contracts.

### **FAIR PAYMENT COMMITMENTS**

We agree that on all new construction contracts from 1 January 2015 we will meet the fair payment commitments set out below.

- 1) We will make correct full payment as and when due for all work properly carried out, or products supplied, in accordance with the contract. We will ensure any withholding of payment due to defects or non-delivery is proportionate, and clearly, specifically and demonstrably justified in line with the arrangements set out in the contract.
- 2) We will not deliberately delay or unreasonably withhold payment.

- 3) For all new contracts we will ensure that payments are made to our supply chain not more than 60 calendar days from the end of the Calendar month in which the work is carried out or products are supplied. From June 2015 we will ensure that payments are made to our supply chain not more than 45 calendar days from the end of the calendar month. From January 2018 that will decrease to not more than 30 days.
- 4) Public authorities are already required to pay within 30 calendar days<sup>1</sup>. On central Government contracts, payment will be made to Tier 1 within 14 days, to Tier 2 within 19 days and to Tier 3 within 23 days of the due date, which will be 7 days after the common assessment or valuation date established by the client in the Tier 1 contract<sup>2</sup>.
- 5) We will either not withhold cash retention or ensure that any arrangements for retention with our supply chain are no more onerous than those implemented by the client in the Tier 1 contract. Our ambition is to move to zero retentions by 2025.
- 6) We will issue any 'pay less' notices at the earliest opportunity and no later than 7 days prior to the final date for payment<sup>3</sup>.
- 7) We will have processes in place to enable the effects of contract variations to be agreed promptly and fairly and payments for such variations to be included in the payment immediately following the completion of the varied works.
- 8) We will make payments electronically unless agreed otherwise.
- 9) We will use Project Bank Accounts on central Government contracts unless there are compelling reasons not to do so<sup>4</sup> and on other contracts where appropriate.
- 10) Where Supply Chain Finance schemes allowing members of the supply chain to secure earlier payment are offered, we will not impose fees or costs for receiving payment within the terms set out in the contract.
- 11) We will adopt a transparent, honest, and collaborative approach when resolving differences and disputes.

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<sup>1</sup> Late Payment of Commercial Debts Regulations 2013

<sup>2</sup> Procurement Information Note 2/2010

<sup>3</sup> The Scheme for Construction Contracts (England and Wales) Regulations 1998 as amended by the Scheme for Construction Contracts (England and Wales) Regulations (Amendment) (England) Regulations 2011

<sup>4</sup> Cabinet Office – A Guide to the Implementation of Project Bank Accounts in construction for Government Clients