

Construction Supply Chain Payment Charter

An Analysis



August 2014

The Construction Supply Chain Payment Charter – An Analysis.

The Confederation of Construction Specialists (the CCS) remains concerned at the lack of progress in the Industry in correcting the widespread payment abuse exercised by many Main Contractors in their relationship to Construction Specialists. This is despite the publication recently of the 'Construction Supply Chain Payment Charter (the Charter).

The Institute of Credit Management was tasked by the Government to research the continuing problem of Late Payment and the imposition by Main Contractors of unnecessary cash retentions. Its contribution in April saw the publication of the Charter to focus on the issue of Fair Payment and to provide a firm framework for ending the abuse.

Unfortunately whilst the aims of the Charter are to be applauded they do not deal with the problem in anywhere near as sufficiently timely or in as robust a manner as to give Specialists the payment certainty, particularly of timely payment, they urgently require.

The CCS, in making the case for its Members and Specialists in general, has produced this paper which provides our assessment of the Charter.

The Charter sets out planned and 'aspired' payment terms leading eventually to 'normal' payment periods of 30 days on all construction contracts and to regularise the position regarding unnecessary cash retentions. The Charter has been agreed by the Construction Leadership Council (CLC), the body set up to deliver the Government's industrial strategy for construction.

The Charter sets out 11 'fair payment commitments' and these include a commitment to reduce payment terms to the supply chain to:

- 60 days applying to all new Contracts from January 2015
- 45 days from June 2015
- 30 days from January 2018 (not before that date)

Other commitments made in the Charter include making payments electronically, not deliberately delaying or unreasonably withholding payment, and an 'ambition' to move to zero retention by 2025

The Charter is said to apply "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".

At the forefront of the Charter is the aim of getting Main Contractors to deal more fairly with their supply chain members. The CCS, fulfilling a vital role of representative body for the Specialist Contractor, has produced this paper to set out how the Charter currently impacts on the Specialist we represent whether for the better or worse.

Any organisation that becomes a signatory to the Charter agrees to:

- apply the fair payment commitments in its dealings with its supply chain;
- be monitored for the purposes of compliance, by reporting against a set of agreed key performance indicators (KPIs); and
- consider the performance of its supply chain against those KPI's when awarding contracts

Just how any monitoring arrangements for the checking of compliance with the Charter's 'commitments' are developed and implemented is currently unknown and the lack of clarity on this point, which is such a fundamental element in the process of ensuring compliance, is most worrying.

Philip King, CEO of the Institute of Credit Management (the ICM), will lead work on the development of the monitoring arrangements and it remains to be seen what these 'monitoring arrangements' will be. The best form of monitoring will of course be by the establishment of a formal process of constant feed-back from Specialists, via organisations such as the CCS, to the ICM and the CCS has undertaken to do this.

The only companies who have signed up to the Charter, including companies represented on the CLC, are currently limited to Barratt Developments, Berkeley Group, British Land, Imtech UK, Kier, Laing O'Rourke, Skanska, Stanford Industrial Concrete Flooring and Stepnell. A disappointingly small number, providing nothing like the Industry consensus Specialists require in order to provide them with any confidence in the Charter and its effectiveness.

The Government view is that the Charter signifies the CLC's commitment to small and medium-sized business and the vitally important role they play in the Construction Industry. It is the Government's hope that through the CLC, the Government can work very closely with Industry to give businesses of all sizes the confidence to invest; securing high skilled jobs and a stronger economy for everyone. Whether that aspiration comes to fruition remains to be seen.

Notwithstanding the stated 'aspirations' of the Charter it does not, in its present unregulated form, provide the necessary confidence Specialists require right now. It is that confidence which will enable Specialists to invest and employ and secure high skilled jobs. If that confidence has not been generated by the Charter then it will have failed.

The Industry is coming out of recession and now is the time, more than at any time in the past that Specialists require payment certainty in order to provide the cash lifeblood to fuel their corresponding need to increase their capability and resources and to do just what the Government is asking for. Making incremental improvements over the next three years is not the way to go for the Government to achieve its aims. The aspired '30 day payment terms' by January 2018 is far too long for the Specialist to have to wait for the payment abuse to be corrected.

The Government, in promoting the Charter, is effectively acquiescing to the unregulated and most unsatisfactory stated extended payment periods before a return to 'normal' 30 day payment periods is achieved.

This 'soft landing' of the payment terms are falling from the current 60 plus days (which in reality are often 90 to 120 days) to 30 days over a period of what is effectively four years must, we suggest, have been predicated on advice from Main Contractors and other similarly interested bodies who have convinced the Government that it will take until 2018 for them to adjust their clearly flawed business models to achieve 30-day payment terms.

If such an 'understanding' is extended to Main Contractors by the Government, allowing Main Contractors to continue to ride roughshod over recognised standard (for example JCT and NEC3) payment terms, then Specialists will have little alternative but to continue to finance the Main Contractors operations. If that is the way it has to pay (and we at the CCS still do not understand why it has to be those with the least amount of financial muscle who has to take the most amount of financial risk) then there clearly needs to be a formal mechanism put in place for Specialists to price for, employ and (more importantly) recover the costs of approved forms of construction financing with imposed effective and immediate sanctions to automatically penalise Main Contractors who fail to honour agreed payment terms.

The CCS believes that it is not acceptable for the Government to simply stand back from this Charter, leaving the matter effectively in the hands of an Industry that has failed to put its house in order for many years. Only a supreme, and poorly informed, optimist would take the view that the Charter is the panacea of all payment ills within the Industry. It is not.

The payment timing disparity between Main Contractors and Specialists continues to exist, and the Charter shows little sign of remedying this and unreasonably gambles with the continued existence of many Specialists SME's, their employee's livelihoods and future (all those that the Charter aspires to protect).

Very few Main Contractors purchase materials. Very few Main Contractors employ labour. Very few Main Contractors purchase or own plant. If they do any of these at all, it will be in quantities in insignificant number to have any overall impact in payment statistics. Apart from providing management resources and items of the nature of preliminaries, the Main Contract provides little, in anything, else.

The Government recognises that many Clients (the Employers) already pay Main Contractors within 30 days and have asked that these Employers make public their commitment to the Charter and give the Industry the confidence to pass that payment timing down through the supply chain to those delivering their projects on site (principally the Specialists). The CCS feels that, once again, the Government is putting pressure on the wrong bodies, seemingly looking to cut into the soft under-bellies of the Employer's rather than looking to drill into the tough protective outer shell that most Main Contractors have cloaked themselves in. The Employer may pay on time, but what prevents the Main Contractor doing likewise to Specialists?

The Government seems to be attempting to 'blind us' with statistics on reduced payment timing. Such statistics being quoted are all well and good but Specialists have to pay their bills when they fall due, for labour, materials and overheads. The Specialists are more interested in the reality of construction payment life and how it affects them individually not carefully managed statistics which are often flawed or out of date in any event.

Fair and transparent payment practices are essential to the achievement of successful integrated working on construction projects. The 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. Knowing, as we do, how many Main Contractors large and small operate we are unable to see how the Charter, in its current form, can provide the necessary payment cure that the Government is looking to achieve and Specialists desperately require.

The Charter builds on and seeks to complement 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. Given this depth of legislation, the CCS questions why it was necessary to introduce the Charter in the first place. If current legislation is not working, what hope is there that a series of 'Fair Payment commitments', committed to voluntarily, will be effective without meaningful and immediate sanctions, if such commitments are not met?

The Charter starts with a rather grand declaration by the signatories

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

With the experience engrained over many years of observing Main Contractor's payment abuse of Specialists, we see a risk that signatories to the Charter can look to be seen to be 'doing the right thing' and bask in the sunshine of apparent payment righteousness and then simply opt out by January 2015. We are particularly cognisant of how quickly Main Contractors can seek to side-step any contractual or statutory obligation by incorporating contrary positions into their bespoke subcontracts and we certainly would not bet against this occurring in relation to the Charter. There is the very real potential for them to claim that the KPI's against which they are to be measured were not fully developed or agreed at the time of signing the Charter, giving them the necessary "wriggle-room" to opt out.

Does the Government have the experience or capability to see through the Main Contractors payment smokescreens and tricks? The CCS does not feel they do, and intends to continue to feed back to the Government its own experiences of on-going payment abuse.

THE 11 COMMITMENTS OF SIGNATORIES TO THE CHARTER

As it currently stands, the Charter extends to two pages of fairly well spaced text. These two pages are seemingly intended to cure all of the financial payment ills faced by small and medium-sized businesses in the UK construction industry. Whilst we often subscribe to the “less is more” mantra, somehow we do not see it working in this particular case.

Objectively reading the 11 Commitments, and knowing as we do the Main Contractor’s propensity to wriggle, what do the 11 commitments really tell us? We feel they tell us very little and Main Contractors have more than enough opportunity to sign up and still able to provide ‘valid reasons’ for not complying. How can this be right?

We now set out in full text each Commitment and provide a number of observations against each one.

Commitment 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.

- Why does the signatory have to sign up to a separate commitment stating that he will comply with the contract? Surely he should be complying and doing that without having to sign any Charter?
- How is the term “proportionate” defined? When used in conjunction with the wording “We will ensure any withholding of payment due to defects or non-delivery is proportionate” it becomes unmeasurable. Would it not have been more reasonable and transparent, in view of the intended purpose of the Commitment, to state the level of proportionality (say 1% of the Contract Value or any other stated figure)?
- If a Standard Form of Sub-Contract is used, and not the Main Contractor’s bespoke often ‘lop sided’ Form of Sub-Contract, the Specialist would have been protected in respect of any fallacious claim to support withholding of payment due to delivery or non-performance by the Construction Act and the Scheme for Construction Contracts.

Commitment 2

We will not deliberately delay or unreasonably withhold payment.

- This commitment is unenforceable, other than by lengthy and expensive argument and possibly adjudication or litigation at substantial cost to the Specialist.

Commitment 3

For all new contracts (from 1st January 2015) 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.

- The commitment would have been more meaningful if it was caveated with words to the effect: *“In the interests of transparency we shall immediately provide details of our payment terms with our Employer. Where these stated payment terms do not exceed 45 calendar days we shall agree to pay our Contract supply chain within 7 days of the stated period”*.
- We do not understand why the Charter grants signatories such extended durations to bring payment periods back to ‘normal’ 30 days? Signatories could improve payment period to 30 days immediately. Delayed payments to Specialists should not be used to fund the Main Contractor’s wider financial business commitments.

Commitment 4

Public authorities are already required to pay within 30 calendar days. 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.

- The reference to *“7 days after the common assessment or valuation date established by the client in the Tier 1 contract”* is in line with Procurement Information Note 2/2010

Commitment 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.

- The reference to *“ambition”* is spineless. It would be more positive and specific if it read *“We shall move to zero retentions by 2025”*. Ambition is an intangible goal. England had *“ambitions”* in this year’s World Cup – enough said!
- This commitment is also a clear admission of the all too common practice hitherto undertaken by Main Contractors of imposing onerous Retention conditions, and seeking to apply them to its supply chain. The imposed terms are in many cases quite removed from the Retention terms set out in the Tier 1 Contract

Commitment 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.

- This commitment is in line with the Scheme for Construction Contracts 2011 and we question why there is a necessity to reinforce this point.

Commitment 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.

- It is unclear why the Main Contractor has to make this commitment when all the Standard Forms of Sub-Contract have such processes clearly in place, and this must be an admission that the Main Contractor current processes are unfair and inadequate.
- In any event, the process should be defined – as a contractual obligation - and not simply be an “intention” to have processes in place.
- The wording here with reference to payment is defective. As it is currently worded, the commitment is only to pay on “*completion*” of the variation and the Main Contractor could unreasonably deprive the Specialist of interim payments over a number of months if the variation takes several months to carry out. Would any Main Contractor attempt to use such abuse of process? The answer would be – Yes, and there would be more than one seeking to do so.

Commitment 8

We will make payments electronically unless agreed otherwise.

- The reference to “*unless otherwise agreed*” is fairly toxic and, knowing the Main Contractors propensity to optimise their position, is open to abuse by them. The words “*unless agreed in writing by both parties*” would have been better used.

Commitment 9

We will use Project Bank Accounts on central Government contracts unless there are compelling reasons not to do so and on other contracts where appropriate.

- The reference to “*compelling reasons*” needs to be better defined. As it stands the Main Contractor could argue any number of “*compelling reasons*” closely aligned to his own agenda.
- The term “*where appropriate*” also needs to be better defined. It would be better to have confirmed that it will be used “*on all other contracts on which Project Bank Account are in place*”.

Commitment 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.

- This commitment is self-explanatory.

Commitment 11

We will adopt a transparent, honest, and collaborative approach when resolving differences and disputes.

- This commitment is fairly spineless in the words used. There should, at the very least, be strict timescales set out and this is discussed in the following.

COMMITMENTS THAT THE GOVERNMENT HAS MISSED THE OPPORTUNITY TO INCLUDE WITHIN THE CHARTER

The view of the CCS is that really meaningful game changing commitment terms such as the following should have been included in the Charter in order to correct the current imbalance in the contractual relationship between Specialist and Main Contractors in relation to payment terms.

We have experience of all of the listed points being used by Main Contractors, at varying times, as “valid” reasons for either delaying payment to Specialists or not making payment at all. If we are to have a fair playing field (the apparent intent of the Charter) then incorporation of such points into the Charter should have been a fundamental and necessary step.

1. We will not seek to prejudice the Specialist in any way, including not using any threat to remove him from our approved supply chain list, should he choose to implement the contract or his statutory rights against us.
2. We agree to pay interest at the Statutory Interest Rate on all payments that we might make late, and on any valuation of works not paid in any Valuation (if subsequently proved to be payable), from the date when payment was properly due/the work should have been valued.
We will engage our supply chain on standard forms of subcontracts linked to the applicable Main Contract (amended only on a ‘like-for-like’ basis by the Main Contract amendments) and will not seek to introduce bespoke sub-contracts or other onerous conditions.
3. We will nominate within the sub-contract, a director who will be personally responsible for dealing in an honest and transparent manner with any payment dispute, howsoever it may arise, and who will attend a meeting within 5 working days of a written request for such a meeting, with a view to resolving the dispute promptly and in a cooperative manner.
4. We will nominate within the sub-contract three alternative accredited mediators and will agree to any payment dispute being referred to mediation using one of those mediators and agree to attend the mediation hearing within 10 working days of the written request for such a meeting.
5. We agree not to place upon the Specialist any requirement to pay our costs in respect to any matter referred to adjudication or to insist that any award to the Specialist in the adjudication is placed into a trustees stake-holder account.
6. We agree to provide to the Specialist at tender stage a copy of the intended Main Contract or in the case where the Main Contract is already in place a copy of the Main Contract (minus price detail) without requiring the Specialist to attend our offices to review the document.
7. We will provide to the Specialist a copy of the Main Contract programme, showing all trades for the whole of the Works at the time of tender, and will provide a copy of all revisions made thereto immediately.
8. We agree to allow all Specialists employed on any project to attend a monthly co-ordination meeting with all trades invited to attend.
9. We will ensure that no terms in any contract over-ride the commitments set out in this Charter.

WHY IS THE CONSTRUCTION SUPPLY CHAIN CHARTER DIFFERENT FROM WHAT HAS BEEN ATTEMPTED PREVIOUSLY?

With so many attempts at a fair payment regime within the construction industry, with so little impact, how is this Charter any different to what came and went before and how will it ensure parties do not renege on those fair payment commitments?

Various Government initiatives have sought, and for various reasons have failed, to deal with the issue of late payment.

The (as was) Office of Government Commerce (OGC) guide to “Fair Payment” came out in 2006. The Industry had spent over two years developing and agreeing in principle to adopt an OGC approved Fair Payment Charter. The essence of the Charter was that all public/Government delivery agencies and major supply chain providers would adopt a ‘less than 30 day’s payment agreement’. It was also proposed that a separate ‘project bank account’ would be established to speed payment across the supply chain. This was widely celebrated as a break through for the UK construction industry.

This initiative was subsequently followed by the Institute of Credit Management's (ICM) Prompt Payment Code, which although not construction specific included signatories from construction, engineering and manufacturing organisations, and also from the voluntary sector. Across all of the sectors there are currently over 1600 signatories, but unfortunately with little or no impact on making Prompt Payment realities.

As the recession hit the construction sector the Industry returned to its traditional bad practices and the smaller players in the market were the ones to suffer most from the impact of delayed payments. The practice was particularly prevalent amongst the large first tier supply chain Main Contractors who imposed 90 or 120 days payment clauses with their suppliers.

The 16th March 2013 amendments to the Late Payment of Commercial Debts (Interest) Act 1998 was introduced to assist and provided that (where a purchaser is a private sector business) the payment period cannot exceed 60 days, unless agreed and not where it was “grossly unfair” to the creditor. An Act admirable in its aim but again one which has proven to be ineffective.

Whenever we advise our members of these payment routes they are firstly often unknowing of these initiatives and secondly reluctant to enforce these statutory terms for fear of losing out on future business with the Main Contractor. This second point cannot be right – why should the Main Contractor rule by fear?

A number of Main Contractors have introduced supply chain finance schemes (anachronistically described as ‘early payment schemes’). However, in accessing his funds “early” (i.e. within circa 30 days) the Specialist will pay a charge to the Main Contractors bank and consequently is, in reality, being penalised for seeking to secure what other industry sectors would deem a standard payment period.

According to Building Magazine, Peter Hansford, the Government Chief Construction Advisor and member of the CLC, confirmed that companies with supply chain finance schemes will not be able to sign up to the Charter as they will be unable to comply with the commitments. It will be interesting to see how this pans out and we hope that Mr. Hansford remains resolute in this stance.

The Construction Supply Chain Payment Charter (now often being referred to as ‘the late payment Charter’) is most unsatisfactorily for the supply chain and in real terms no different from anything that has gone before.

The new Charter itself recognises that it ‘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’. In this regard, we ask two questions:

Why, if all this legislation and policy was effective, would the latest Charter be necessary?

If all this previous legislation and policy was ineffective how is the Charter, signed voluntarily, going to correct all the previous ineffective text by the introduction of 11 relatively soft commitments?

The truth is it should not have been necessary for the Charter to have been produced at all. Main Contractors have been the masters of flouting payment legislation for years. So will a voluntary two page Charter make the leopard change its spots? The answer must, sadly, be a very predictable and emphatic No.

The basic principle of the Charter is still the same as previous legislation: fair payment across the industry.

The Achilles heel of the Charter is of course that it contains no effective method of enforcement. The consequences of non-compliance by Main Contractors and any corrective action for such non-compliance are not addressed. Essentially, without effective enforcement processes it is ineffective and like its predecessors will likely fail to change Main Contractors attitudes to Fair Payment.

It is but a voluntary Charter and signatories to the Charter will only be subject to monitoring against agreed key performance indicators with, as yet, no such indicators being published.

In the short term, a number of Main Contractors may sign up to the Charter for fear of losing essential Specialists to better paying contractors. The real test will be the clients' (the Employers') attitude to those Main Contractors who have not signed up to Charter.

A recent article in Building magazine had one Employer's representative stating that before letting work to a Main Contractor he also wants to know about his contractors' attitude to payment down the supply chain. He stated:

"We want our main contractors to pay our subcontractors on a back-to-back basis and while that may not be quite possible, we will definitely exclude contractors that have extended payment terms. Increasing payment times increases costs for me because ultimately the trade contractor is going to factor that into their tender. Either way it's a very cynical ploy."

We hope that other Employer's representatives will be taking a similar stance.

Minutes of the CLC's meeting in February 2014 (released to Construction News under a Freedom of Information Act request) state the CLC considers that fair payment across the industry will be 'better achieved [by] encouraging rather than enforcing'. The CCS wholly disagrees with this statement. Encouraging any commercial entity to pay earlier than they think absolutely necessary is wishful thinking and in reality unlikely to succeed. In our experience Main Contractors do not respond to encouragement and in far too many cases have no regard to contractual obligations and responsibilities unless it suits them. Fair Payment can only work if there is an industry-wide sign-up to a charter that has teeth, with serious, immediate and meaningful financial consequences for Main Contractors who fail to abide by the principles and commitments set out within it.

SUMMARY

Whilst the new Charter is welcomed as an attempt to reach 30 day (and under) payment terms, history suggests that it will not solve the problem of late payment by itself. There will need to be hard business consequences (penalties) for those who do not follow it and that is not currently there in the Charter as it is written.

With just nine signatories, out of 30 members of the CLC, and a target date for implementation of 2018, the Charter it is nowhere near as hard hitting as Specialists or the CCS had hoped for.

Construction economist Alex Murray reported recently that a third of the assets of some of the UK's typical Main Contractors are financed by trade credit (the supply chain). That cannot be a good business model for any of us.

The signatories to the Charter, setting aside our cynicism at their possible motives, will be the 'good-guys'. But time should not be spent praising those that have set the moral compass, but instead those who do not sign up should be

asked to explain why they are either unable or unwilling to follow good industry practice and if necessary, they should be precluded from bidding for contracts.

If recent press reports are to be believed then Specialists rates and prices are improving (much to the angst of Main Contractors who see this as some form of high jacking rather than the simple economics of Supply and Demand). As the economy improves, there is always the temptation to overtrade, putting extreme pressure on cash flow. Employees need to be paid on time and the Specialists creditors will not give the same credit terms as the Main Contractor enjoys.

This means that a busy business can quickly run out of cash, and into trouble. Surely that cannot be the intent of the Charter.

So, now is the time to get the industry sorted out. Specialists cannot wait until 2018, as the Government might wish them to, Main Contractors must deliver on the promise of the Charter.

There may also be an area that currently remains out of range of the fair payment “radar”. As well as the Government, Employer’s must take a participating role in of all this. Why are a number of other organisations that have had representation on the CLC, including Crossrail, Midas Group, Network Rail and Sainsbury’s not also signed up to the Charter? Their unwillingness or delay in adding their weight to the Charter does little to reinforce that sector’s commitment to seeing fair payment terms established.

The CCS has no problem with the Main Contract and Sub-Contract terms being aligned; Main Contractors should not be funding projects either, unless there is some form of funding initiative. If Main Contractors want that kind of protection, then this can readily be attained not by the myriad of bespoke subcontract terms that are out there (with often morally corrupt terms) but by the simple use of the standard Sub-Contract that accompanies the Form of Main Contract. Making this process a statutory requirement would go a long way towards solving the payment problem, a trick that the Government appears to have either missed or chosen to overlook.

For far too long the Specialists in the supply chain have had to manage inconsistent payment terms, having monies withheld on retention, and having to deal with the consequences on their cash flow. The Charter, correctly implemented, could be pivotal for the construction sector but it requires more teeth and should be beefed up to allow for inclusion of terms similar to those set out in this paper and for financial penalties against those who do not sign up.

As the Charter stands, the CCS concludes that it will be another failed attempt to address a major flaw in the UK Construction procurement process. The Charter does not support the strategic vision and firm leadership that is required to deal with the root cause of the problem. It seeks, albeit ineffectively, to just address some of the symptoms.

In our opinion the UK construction industry needs to adopt a fundamental change in the procurement system to overcome the culture of reliance on the supply chain to finance clients' projects. The CCS actively participates in and presses for consistent, fair and sustainable payment processes. By providing support services to its membership the CCS, representing Specialist Construction firms, advocates and would clearly welcome the adoption of the recommendations included in this paper.

Let’s not forget - “Cash is king in business” and is the life blood of any organisation

The CCS closes this paper by reaffirming that to anyone reading the Charter from the perspective of the Specialist, a number of questions come readily to mind.

- *What is the purpose of having a new Government Payment Charter, which is voluntary, with no enforcement mechanism built in?*
- *Why are we 'revisiting' again when previous Charters have not been fully adopted by the industry and the Government?*
- *Why does this so called 'new Charter' take precedence over contractual arrangements based on best practice?*
- *Is there also a risk of differentiating between public and private sector clients?*
- *Why has the achievement of the original 30 days agreement now moved back to an aspiration for 2018?*

Whilst the motive behind the Charter is plausible, we have to question the need for rushing the adoption of a new payment Charter when previous attempts have never fully been subscribed to.

The real issue is not about who supports the Charter but who does not support it.

The CCS will continue to campaign for the recommendations contained within this and will report to its members and make public progress as it is made.

The Confederation of Construction Specialists.

This article was written by Mr Colin Hale, Deputy Chairman of the CCS Advisory Board and a construction consultant specialising in the resolution of construction disputes. Colin can be contacted at colin.hale@constructionspecialists.org.