

ProCure22 Framework – Delivering the objective of Prompt Payment

1.0 Introduction

The following notes an overview of the processes and procedures that are applied under the Dept of Health ProCure22 National Framework Agreement (P22 NFA) to support the policy of prompt payment of Construction Suppliers (Principal Supply Chain Partners (PSCPs)) and those within their Supply Chains.

The payment periods provided under the P22 Framework can be summarised as follows:

	MAIN CONTRACT	SUB CONTRACTS	SUB SUB CONTRACTS
P22 NFA NEC3 Option C	14 Calendar days	14 Calendar days	14 Calendar days
TOTALS	14	28	42

The provisions described in this note have been included in the P21 and P21+ Frameworks that preceded the P22 Framework and as such have been part of our approach to this since 2003.

It is also important to note that we have provisions within the P22 NFA for:

- Zero Retentions;
- 2 Year Defects Period;
- Zero Defects at Completion (this includes no “snagging” outstanding at completion/handover).

The previous P21 and P21+ Frameworks had similar provisions.

2.0 Key Steps to deliver the Objectives of Prompt Payment

To achieve the objective of prompt payment, action was taken at each of the following key stages of the procurement process and thereafter, during the implementation of the Framework. These could be said to reflect the principles of effective supply chain management practice which have been applied based on information gained as a result of engaging with those outside the industry:

A. Selection and Appointment for the P22 NFA

The tender documents set out the objectives in respect of Prompt Payment. The selection and appointment process required PSCPs to provide “evidence” from their Supply Chains of their relationships with them, for evaluation. Interviews and head office/site visits were also undertaken as part of the selection process to further validate the tender submissions. As part of this process the P22 Team was provided with access to Data, Systems, Clients, Staff, Sub-Contractors, Operatives on site etc.

B. P22 NFA provisions

The P22 NFA includes provisions for:

1. Application of Open Book Principles throughout supply chains to cover process/procedures/costs – all contracts within a supply chain are required to include provisions that provide for this. There are also provisions that require the provisions of the framework Agreement to be reflected in all sub contracts;
2. No changes to the P22 NEC2 Contract Template (as referred to in para 6.0 of this note) without the prior approval of P21 Team at DH;
3. Audits that will be undertaken to ensure that P21 processes and procedures are being complied with. This Audit process is included in the Performance Management Plan and this includes payment performance;
4. A Performance Management Plan, whereby issues identified are notified to a PSCP, and an action plan agreed to address them. The action plan is monitored, and sanctions are applied where a PSCP fails to address the issues in as set out in the plan.

These provisions ensure we can access any information we need, including payment performance. If we become aware of any issues as a result of obtaining information or feedback, the Performance Management Plan enables us to address them with a PSCP.

C. P21 NEC Option Contract Templates that form the basis of contracts between an NHS Client and PSCP for specific schemes;

The current P21 NFA and proposed P21+ NFA utilise the NEC Option C: Target Contact with Activity Schedule and the Contract Templates that P21 has developed include for:

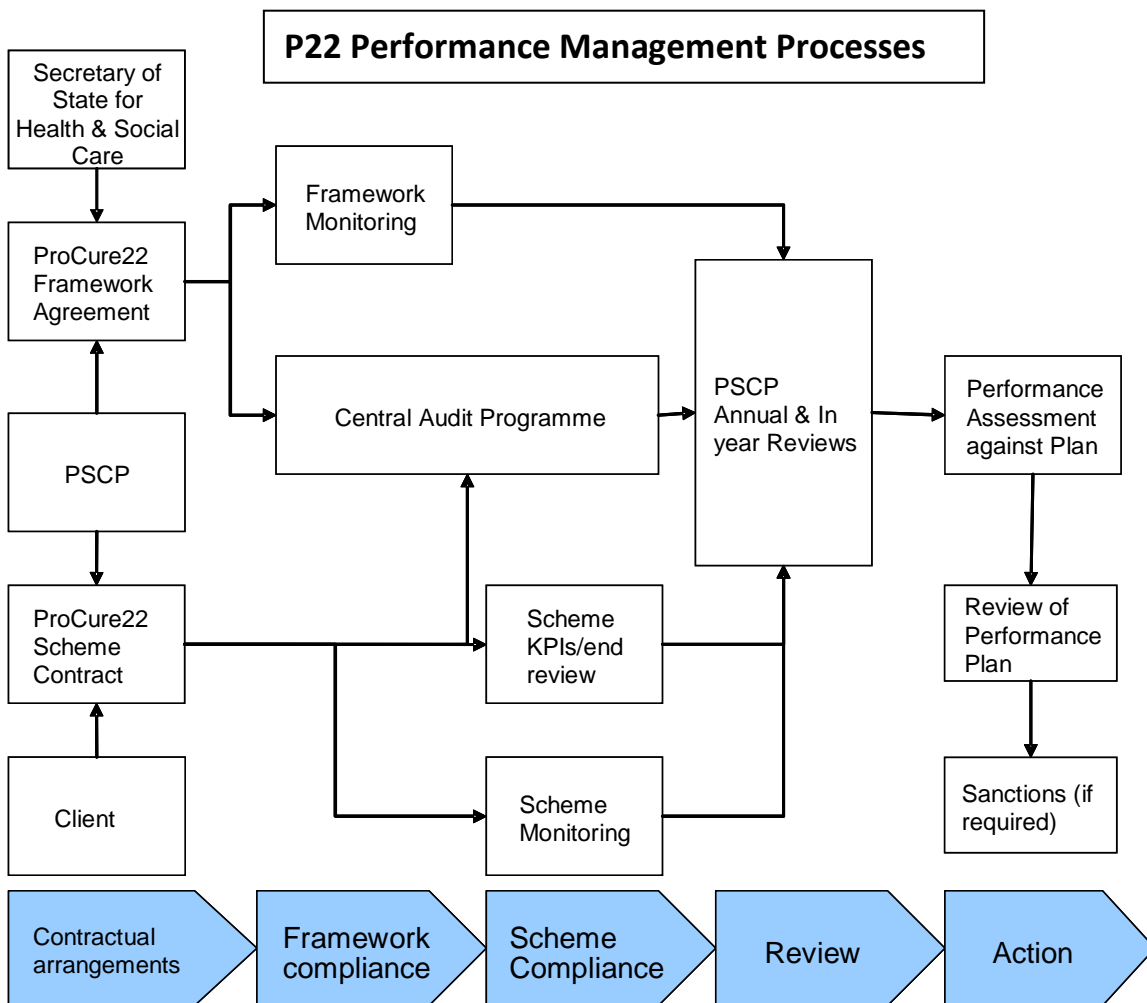
1. Payment periods in accordance with current government policy;
2. Interest on late payment at the Statutory minimum rate of interest for the late payment of commercial debts i.e. 8% over base rate;
3. A Z Clause has been incorporated that allows for payment of invoices received but not due to be paid until during the next assessment period. Standard contracts do not permit this to occur. This clause enables payment of sub-contractors and suppliers as soon as they have issued invoice, as opposed to on the invoice due date.
4. Processes and procedures have been identified in the Commercial Section of the Works Information that require PSCPs to maintain and provide access to all records and at each assessment to provide a list of creditors with payments

outstanding at the time of the application. In addition to being used for the assessment for payment of the contractor, this information can be used to review the contractors payment performance;

5. No retention is required.

D. P22 NFA Performance Management and Audit Processes.

The P22 NFA includes provisions for a Performance Management Plan (PMP) to monitor and manage performance over the period of the Framework. The following diagram illustrates the process and Payment Performance is reviewed as part of this process:



In addition if DHSC receives feedback from any source in a supply chain, we will investigate it to:

1. Establish the true facts – “there are always two (or more) sides to any story”;
2. Identify the actions that need to be taken and by whom;
3. Notify those affected of our recommendations;

4. Monitor and follow up the issue to ensure the matter has been resolved.

This process applies to payment issues as well as any other framework or project-related issue. If necessary due to sensitivities, we will anonymise the source of the information we are provided, however to investigate any issue, we need sufficient information to know where to look, what to look for, who to ask etc.

3.0 Outcomes

Some anonymised examples of performance information received at both framework and project level is as follows:

- a. Framework Level Supplier Payment Performance Example:

Monthly View

Year	Period	On-time or Late	
2017	January 2017	Late	1.76%
		on-time	98.24%
	February 2017	Late	2.04%
		on-time	97.96%
	March 2017	Late	1.33%
		on-time	98.67%
	April 2017	Late	0.28%
		on-time	99.72%
	May 2017	Late	0.45%
		on-time	99.55%
	June 2017	Late	1.64%
		on-time	98.36%
	July 2017	on-time	100.00%
		August 2017	Late
	on-time		99.02%
	September 2017	Late	1.16%
		on-time	98.84%
	October 2017	Late	0.31%
		on-time	99.69%
	November 2017	Late	1.28%
		on-time	98.72%
	December 2017	Late	1.43%
		on-time	98.57%

b. Project Level Supplier Payment Performance Example:

Subcontract

Year	XXXX
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Projects	Average of Cert to Payment	Average of <31 Days
Project A	23	78.00%
Project B	18	96.82%
Total	20	89.63%

Contract Sales

Year	XXXX
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Projects	Average of Cert to Payment	Average of <31 Days
Project A	11.3	100.00%
Project B	13.8	100.00%
Total	12.7	100.00%