

Our ref: SSD / GD  
Your ref:

HA Key Suppliers  
Via email

**David Poole**  
**Procurement Director**

The Cube  
199 Wharfside Street  
Birmingham  
B1 1RN

Direct Line: (0) 121 6788045

1 August 2011

Dear Key Supplier

## **HIGHWAYS AGENCY SUPPLY CHAIN PROMPT PAYMENT PERFORMANCE**

I am writing to you as a key supplier to the Highways Agency and one who is committed to implementing equitable and fair payment principles in the entire extended Supply Chain on your Highways Agency Contracts.

The Agency is committed to the prompt payment for goods and services received and aim to settle 98% of undisputed invoices within contract terms (over 99% achieved in 2009-10 and 2010-11). In addition, in May 2010 Government introduced a requirement for public sector bodies to pay suppliers where possible within 5 days. This measure is intended to help reduce financial pressures on companies by improving cash flows. We met the target each month after it was introduced part way through the financial year

You will be aware that signing the Highways Agency Fair Payment Charter (copy attached Annex A) has been a standard requirement in our contract award process since January 2008. Signing this Charter places an expectation on you as a Supplier to the Agency to ensure fair, equitable and ethical cash flow to all those involved in delivery of Highways Agency contracts.

I want to also make you aware that the Agency is moving forward in line with OGC Procurement Information Note 2/2010 regarding provisions to make fair payment a contractual requirement through the NEC form of contract. This is resulting in clear definition of last date for payment to tier 1, 2 and 3 in the head contract. This will be supported by robust performance measurement that will require you to demonstrate your payment performance through the extended supply chain on Highways Agency Contracts.

The Agency is committed to implementing Project Bank Accounts for use by our major contractors, as part of our adoption of 'Fair Payment' principles and practices. Initially

being adopted by our two largest directorates, Major Projects and Network Delivery and Development, the aim is to accelerate payments to second and third tiers of the supply chain, providing greater certainty on payment, making the delivery process more efficient and minimising financing charges. Project Bank Accounts will provide surety of payment and a reduction of the payment cycle by an estimated 18 days.

I recognise that ensuring equitable cash flow through the entire Supply Chain is absolutely critical in maintaining a sustainable supply chain. In making our commitment to you as a key supplier we are equally seeking you to extend payment performance through your extended supply chain and beyond.

I am aware that OGC has introduced a route that any supplier can confidentially raise any payment performance concerns via its supplier feedback service. Details can be found at: [http://www.ogc.gov.uk/contact\\_us\\_informal\\_complaints\\_function.asp](http://www.ogc.gov.uk/contact_us_informal_complaints_function.asp)

In recent months the Agency has received feedback from a number of suppliers in our extended supply chain alleging that payment terms are often being re-negotiated and extended. As you can see the Agency is placing particular focus on payment practices and performance in the extended supply chain and will be looking to take decisive action with any HA Supplier or HA extended Supply Chain that is found to moving in the opposite direction to the Agency's direction of travel in terms of adopting and rolling down fair payment principles.

If you have questions on any aspects in this letter then please contact either David O'Neil on 0113 2836830 or myself. Alternatively you can email questions to [scm@highways.gsi.gov.uk](mailto:scm@highways.gsi.gov.uk).

Thank you in advance for your ongoing commitment and support in this key area of our business.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Poole', with a horizontal line underneath.

**David Poole**  
Procurement Director

**Copy:**  
Graham Dalton  
Stephen Dauncey  
Derek Turner  
Nirmal Kotecha  
Ginny Clarke  
Tim Eaton  
David O'Neil

# Annex A – Highways Agency Fair Payment Charter

Safe roads, Reliable journeys, Informed travellers



## Highways Agency Fair Payment Charter

Fair and transparent payment practices are essential to achieving successful integrated working on all contracts. The Highways Agency, working with its suppliers in good faith and in a spirit of mutual trust and respect, is committed to meeting the principles of fair payment.

As a supplier to the Highways Agency, we agree that we will strive to meet the Fair Payment commitments set out below. We will additionally seek to embed the principles throughout our supply chain\*.

- Companies have the right to receive correct full payment as and when due. Deliberate late payment or unjustifiable withholding of payment is ethically not acceptable.
- 'Fair Payment' will apply equally between the client and lead contractor and throughout the supply chain.
- The process will be transparent and members of the supply chain will have certainty of how much and when they will be paid.
- Companies will consider, where appropriate, operating relevant contracts on an open book basis.
- The correct payment will represent the work properly carried out, or products supplied, in accordance with the contract. Any withholding of payment due to defects or non-delivery will be proportionate and demonstrably justified in line with arrangements made at the time of contract.
- To ensure effective and equitable cash flow for all those involved, all contracts will provide for regular payments and have payment periods not exceeding 30 days, from receipt of invoice.
- In order to avoid payment delays, the client and all supply chain members will agree payment procedures at the outset of their contracts. Payment will be through electronic BACS transfer and will apply throughout the supply chain.
- Monitoring compliance with the Charter principles will be built into the Highways Agency "Motivating Success - A Toolkit for Performance Measurement."

\* This charter aims to align with the principles outlined by the Office of Government Commerce in its "Guide to Best Fair Payment Practice". It is not intended to be a legally binding document and will not be used in construing any contractual commitment.

\* Suppliers who have not already signed up to their commitment to work towards delivering the requirements of this charter will be expected to do so prior to award of any Highways Agency contract.

\* It is recognised that Suppliers to the Highways Agency may require an introductory period to modify their business systems and procedures in line with the charter commitments.

Company name	Representative's name	Signature
.....	.....	.....
	Position	Date
	.....	.....