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CLC STATEMENT ENDORSING THE BUILD UK RETENTIONS ROADMAP

The practice of withholding cash retentions within the construction sector is controversial. Within the industry and amongst its clients, views are divided as to whether these are an effective and cost-efficient means of providing surety against defects, or whether these are an outdated practice, that increases cash flow pressure on firms in the supply chain and should have no place in a modern industry. The loss of an estimated £223m of retention payments each year due to insolvency alone, also has an impact on industry cash flow, funds for investment and profitability.

Whilst there is no clear consensus on the part of the industry as to what should replace retentions, there is a clear majority that believes the current situation is unsustainable and requires reform. In recognition of that, the Construction Leadership Council has decided to take the action of endorsing the [Build UK Roadmap to Zero Retentions](#), which has been developed and is supported by the clients, construction firms and trade associations within the membership of [Build UK](#) and [CECA](#), as a means of improving the transparency and fairness of payment practices in relation to retentions.

This will build upon the existing CLC policy, as set out in the [2014 Construction Supply Chain Payment Charter](#), that the industry should work towards the abolition of cash retentions. This stated that firms should either not withhold cash retentions, or ensure that the provisions relating to retentions are no more onerous than those included in the contract between the client and Tier 1 contractor. In addition, the Payment Charter set the objective of moving to zero cash retentions by 2025.

The Retentions Roadmap proposes a phased approach to moving towards the objective of zero retentions by 2023, and no later than 2025. The Roadmap includes key milestones, including publication of retention policies by public and private sector clients, and the introduction and adoption of the Build UK Minimum Standards on Retentions, which incorporate and build on the Payment Charter commitments. These standards include:

- ensuring that any arrangements for retention are no more onerous than those implemented in the main contract, actively ensuring that retention arrangements are filtered down;
- only deducting retentions in relation to permanent works, excluding temporary and/or preliminary works;
- not applying retentions to any contracts with a starting value of less than £50,000, increasing to £100,000 from 2021;

- deducting retentions as a single sum towards the end of the contract to act as surety, not from interim payments prior to the completion of work, which have an impact on cash flow within the supply chain;
- not withholding more than 1.5% of contract value, reducing to 1% from 2021; and
- ensuring that the release of retentions under sub-contracts is not linked to the release of retentions under the main contract, compliant with the 2011 Amendment to the Housing Grants, Regeneration & Construction Act.

The CLC believes that this approach will enable the industry to make progress towards the objective of achieving zero cash retentions by 2025, whilst also allowing the industry and its clients time to adapt, to minimise the impact on cash flow, to put in place alternative surety arrangements, and to improve standards of quality within the industry. Therefore, the CLC urges firms within the industry and construction clients to support the Roadmap and adopt the minimum standards, as a pragmatic means of improving prompt and fair payment practices and helping to create a stronger and more sustainable industry.

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