

08.04.20

## CLC Statement on Payment and Contracts

In response to managing the impact of COVID-19, the Construction Leadership Council (CLC), working with our Government Partners BEIS and IPA, has recently focused on ensuring that we can keep our people safe and enabling construction sites to operate in accordance with PHE guidelines. A 12-strong Construction Industry Task Force has been assembled to develop a number of initiatives to support the needs of the sector, including:

- A letter to the Prime Minister, summarising urgent industry support needs.
- Developing Site Operating Procedures based on Public Health England guidance.
- Industry-tailored guidance for the Coronavirus Job Retention Scheme and Self-employed worker scheme.
- Supporting firms to access to Government backed loans schemes for business.
- Organising a call for industry leaders with the Minister for Construction.
- Producing a daily newsletter for the industry.
- Issuing good practice guidance on temporary suspensions of site activity.

These initiatives have been developed collaboratively by industry representatives. The success and impact of this work highlights the critical importance for the industry of continuing to work together as we respond to the crisis.

The CLC is increasingly concerned about the management of payment in the supply chain, and the risk that clients and firms will seek to invoke contractual clauses to the detriment of other firms. We are clear that all construction businesses should continue to pay in accordance with agreed contractual terms. Similarly, firms should not be threatening to invoke penalty or other contractual clauses, when it should be the priority of all clients and firms to sustain the industry. Our actions at this time will be remembered. All firms should think hard about how their reputation could be damaged by not doing the right thing.

In our letter to the Prime Minister, we highlighted the importance of maintaining cashflow to ensure the financial health of our industry. This applies to all businesses in the sector, including those in the materials and products distribution supply chain. As a result, every business, large and small, has a critical role in the making sure that cash continues to flow throughout the industry. However, our Construction Industry Task Force colleagues have brought to our attention that there are number of businesses that have chosen to unilaterally delay payment or extend credit terms. We do not believe this is acceptable or appropriate – particularly at this time of great stress.

Many organisations have taken steps to support their supply chains through their collaborative administration of contracts. Government has led the way through the implementation of

PN 02/20, under which public-sector clients will continue to pay suppliers at risk due to Covid19 until at least the end of June 2020. We should all follow the example set by our largest client.

In our letter to the Prime Minister, we called for an unprecedented range of support measures to ensure that cash continues to flow to and through the industry. The construction sector can only justify such support if cash continues to flow and liquidity is maintained.

Our common enemy is Covid19, and we need to unite, and work collaboratively to resolve shared problems. We owe it to our sector and the country to take all steps necessary to ensure that the industry is in good health to support the recovery, when it comes. It is everyone's responsibility to keep money moving in the sector and vital that all businesses play their part by maintaining payment and by managing contracts responsibly.



**Andy Mitchell**

Chief Executive, Tideway, and Chair of the CLC

### **Construction Industry Task Force Membership**

**Andy Mitchell**, Chief Executive, Tideway, and Chair of the CLC

**Brian Berry**, Chief Executive, Federation of Master Builders

**Peter Caplehorn**, Chief Executive, Construction Products Association

**John Newcomb**, Chief Executive, Builders Merchants Federation

**Jim O'Sullivan**, Chief Executive, Highways England and Chair, Infrastructure Client Group

**Mark Reynolds**, Chief Executive, Mace, and CLC Skills Lead

**Hannah Vickers**, Chief Executive, Association of Consultancy and Engineering

**Richard Beresford**, Chief Executive, National Federation of Builders

**Steve Bratt**, Chief Executive, Electrical Contractors Association

**Ian Fletcher**, Director of Policy (Real Estate), British Property Federation

**Suzannah Nichol**, Chief Executive, Build UK

**Alasdair Reisner**, Chief Executive, Civil Engineering Contractors Association

**John Slaughter**, Director of External Affairs, Home Builders Federation

**Graham Watts**, Chief Executive, Construction Industry Council