

ROADMAP TO ZERO RETENTIONS

VISION

Fair and transparent payment practices are essential for a thriving construction industry and a strong, resilient and sustainable supply chain.

In recognition of this, Build UK and its members are looking to realise the industry ambition of zero retentions by the end of 2025 through implementation of this roadmap.

March 2024

OBJECTIVES

1. Wide-scale adoption and implementation of the roadmap by Build UK members and the wider industry.

2. Ensuring any forms of security used against defects are appropriate and proportionate.

3. Effective and regular monitoring of progress against the roadmap.

BACKGROUND

Cash retention – the withholding of a percentage of payment on construction work until it is completed free of defects – is intended to provide security to the industry's clients that any defects will be rectified appropriately.

Retentions are problematic for all parties in the supply chain and the practice of 'passing on' retentions in order to secure cash flow, coupled with the loss of retentions due to insolvency, has a significant impact upon cash flow throughout the supply chain.

As such, retentions generally do not provide an appropriate or proportionate mechanism for ensuring quality and fair payment.

The Construction Supply Chain Payment Charter, which was introduced by the Construction Leadership Council to create a more collaborative payment culture, set out the ambition to move to zero retentions by 2025.

“Payment terms within contracts (for example, retentions) can drive poor behaviours, by putting financial strain into the supply chain. For example, non-payment of invoices and consequent cash flow issues can cause subcontractors to substitute materials purely on price rather than value for money or suitability for purpose.”

Dame Judith Hackitt
Building a Safer Future

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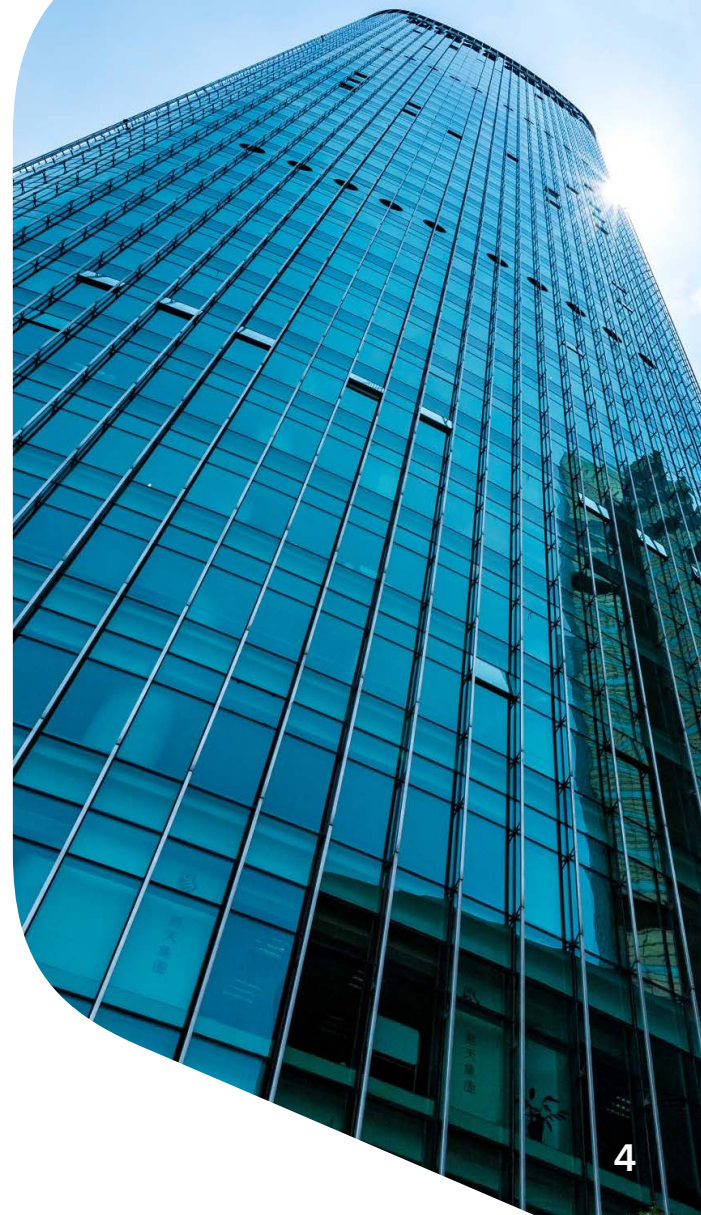
SUPPORT FOR ZERO RETENTIONS

In 2017/18, the Government consulted on the issue of retentions to determine if and what further intervention was needed. The **Build UK response** called for a joint approach of Government legislation to abolish cash retention by no later than 2025, supported by the industry developing and implementing a phased roadmap.

The Government published a **summary of responses** to the consultation in 2020, which highlighted a ban on cash retentions 'as the solution most consistent with industry reform and would drive more sustainable business models'. In November 2023, the Government's **Payment and Cash Flow Review report** confirmed that the Reporting on Payment Practices and Performance Regulations will be expanded to include new reporting requirements on retentions.

This Build UK roadmap sets out the framework, including key milestones for implementation by the supply chain, to deliver zero cash retentions within construction by the end of 2025.

The Construction Leadership Council along with the Civil Engineering Contractors Association has **confirmed its support** for the roadmap and encouraged the industry to adopt the **Minimum Standards on Retentions** designed to reduce the challenges associated with the existing use of cash retentions between now and the end of 2025.



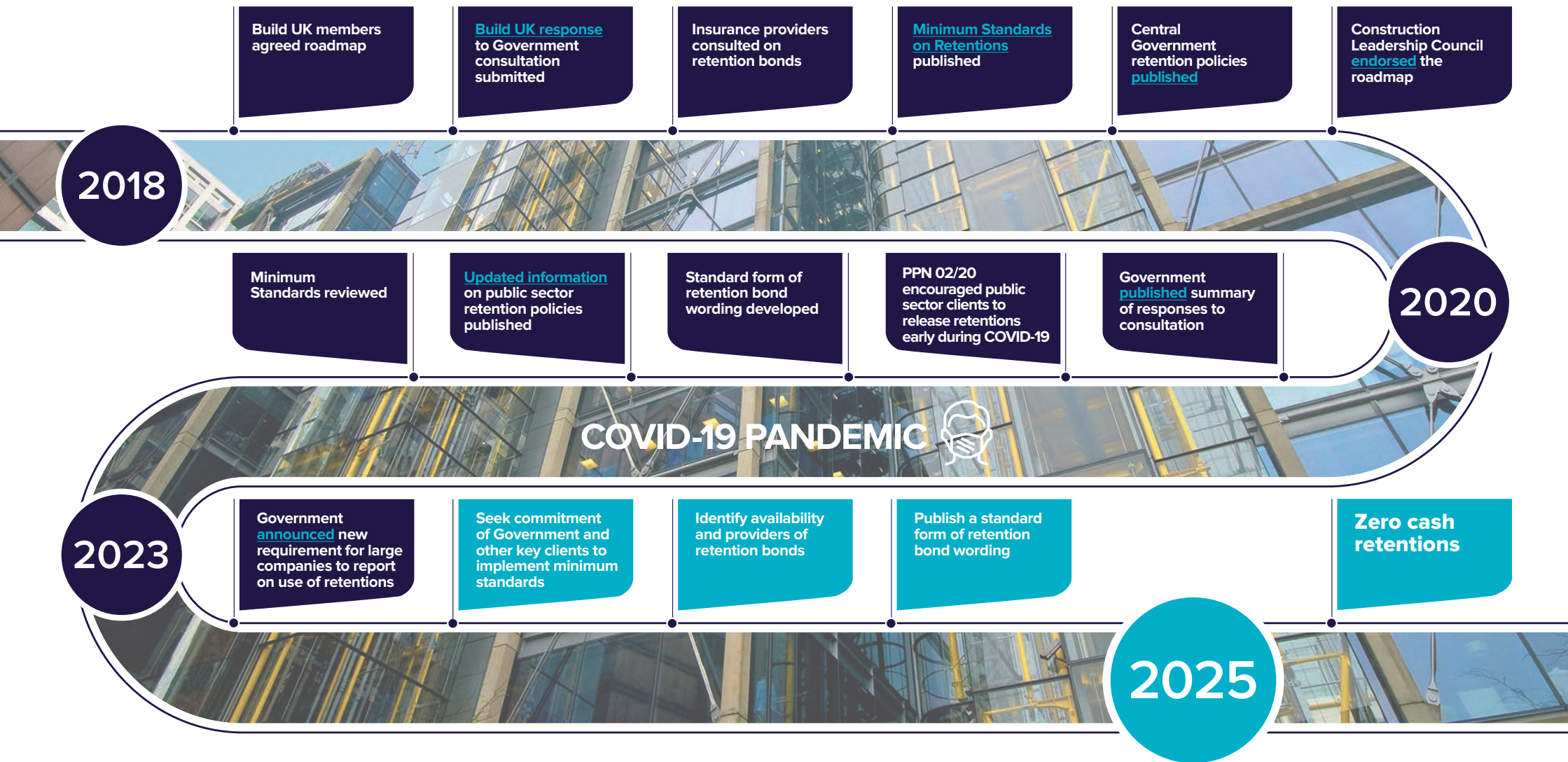
CHALLENGES TO DELIVERING THE ROADMAP

- Achieving agreed quality and specification and lack of consistency in the rectification of defects.
- Providing security when working with a supply chain where there is not an established relationship.
- A perceived lack of viable alternatives to retentions that provide similar levels of security.
- Ensuring that any use of cash retentions until 2025 and other forms of security are implemented 'back to back' through the supply chain to prevent any one party bearing the financial impact.

INTENDED OUTCOMES & BENEFITS

- Adoption and implementation of the Build UK roadmap by the construction supply chain to achieve wide-scale change across the industry.
- Improved quality of completed works on construction projects, and increased assurance that any defects that do occur will be rectified appropriately, without the threat of unfair payment.
- An increase in working capital within the supply chain to support investment and growth.
- Increased collaboration and transparency in the construction industry, ensuring that any forms of security used against defects are appropriate and proportionate.
- Government recognition that the industry is stepping up to deliver change on this key issue and support for implementation of the roadmap within public sector procurement.

KEY MILESTONES



Find out more
www.BuildUK.org/retentions