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& Industrial Strategy

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28<sup>th</sup> February 2020

Dear Rachel,

## **CONSTRUCTION PAYMENT CONSULTATIONS**

I am writing to inform you that BEIS has recently published summaries of consultation responses for two consultations regarding payment practices in the construction industry. The first concerns the practice of cash retention under construction contracts. The second consultation supports a Post-Implementation Review of the 2011 Amendments to Part 2 of the Housing Grants, Construction and Regeneration Act 1996 (the 'Construction Act').

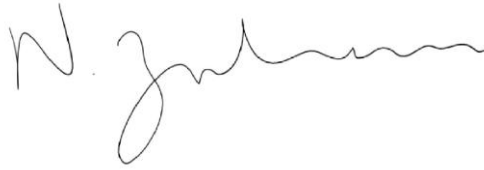
Poor payment practices have long been a problem in the construction sector, and these can represent a barrier to investment, productivity improvement and growth. Cash retention is one such practice. Following concerns expressed by parts of the industry, and amendments tabled during the passage of the Enterprise Bill, the Government agreed to undertake a review of retentions. This consultation ran in parallel with a second, supporting a post implementation review of the 2011 changes to Part 2 of the Housing Grants, Construction and Regeneration Act 1996. The second consultation covered the general construction payment and dispute resolution framework and sought to inform the Post-Implementation Review of the impact of the 2011 changes, which we expect to publish later this year. In addition, it aimed to assess the extent to which the existing construction payment and adjudication payment framework is working generally.

Responses to the consultations were received from a range of organisations, from construction clients and large contractors, to professional advisors, adjudicators and smaller firms within the supply chain, as well as the organisations that represent them. These responses illustrate the range of views within the sector on payment practices, and the possible policy solutions to addressing the problems that have been identified.

The documents contain a summary of the responses and wider stakeholder engagement during the open consultation period, and highlight the issues raised. We will continue to work with industry on these issues and the policy options for addressing the problem of unjustified and late payment.

The summary of responses documents are being circulated with this letter, and I will deposit copies of both documents in the Libraries of the House, along with a copy of this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Zahawi', written in a cursive style.

**NADHIM ZAHAWI MP**  
Minister for Business and Industry