

# SEC *focus* GROUP

Voice of the Specialist Engineering Contractor

The members of the  
SEC Group are:

Association of  
Plumbing and Heating  
Contractors

British Constructional  
Steelwork Association

Electrical Contractors'  
Association

Heating and Ventilating  
Contractors'  
Association

Lift and Escalator  
Industry Association

SELECT

## RETENTIONS – GOVERNMENT SNUBS SELECT COMMITTEE REPORT

At the end of last year the Trade & Industry Select Committee in the House of Commons unequivocally condemned the practice of retentions as "outdated", "inefficient" and "frequently harmful" (especially to small and medium-sized businesses). The Select Committee report was a fantastic boost to the anti-retentions campaign led by the SEC Group. Unfortunately, the Government, in its response to the report, has decided that action is not necessary. It has refused to endorse the proposal in the report that retentions be phased out of public sector works contracts by 2007 or earlier.

The government still believes that there is a link between retentions and the incidence of defects although there is no evidence to support this. The SEC Group and its member associations have written to the Chairman of the Select Committee (Martin O'Neill) inviting him to call both the Treasury (responsible for government procurement through the Office of Government Commerce) and the Department of Trade and Industry to account for their failure to act. This is being supported by firms writing to their MPs to apply pressure on the government. Pending the phasing out of retentions, we are urging the government to change government contracts so that:

- All retentions are ring-fenced and, therefore, protected from insolvencies up-stream;
- Retentions are returned on the satisfactory completion of work.

*Keep your trade associations informed if you are suffering retentions abuse on public sector contracts. Let them know if you are asked to provide retentions even though the first line contractor is not required to provide them. Maintain contact with your MPs on this subject.*

## BUDGET 2003

SEC Group is a signatory to the budget submission sent to the Chancellor of the Exchequer by the Engineering Employers Federation. The submission includes the proposal for a reduction in the rate of VAT to 5% on domestic repair, maintenance and improvement work. This was included at the SEC Group's insistence. It is argued that the loss to the Treasury would be offset by increases in, for example, VAT revenues due to a general rise in repair and maintenance expenditure.

The budget submission is available on [www.eef.org.uk](http://www.eef.org.uk)



## GOVERNMENT CLIENTS COMMIT TO SHORTEN TIME TAKEN FOR CONTRACT AWARDS

On 26 February the Office of Government Commerce (OGC) held a conference in London to review progress on reforming government procurement practices. A commitment was made to shorten the time taken to award contracts.

Peter Gershon, OGC Chief Executive, claimed that he did not have any evidence that lowest price was still being applied on government projects. (So, if you have this evidence pass it to your association.)

The OGC claimed that 100% of the largest government procurers were partnering and teamworking. SEC Group questions whether these arrangements reach down to specialist engineering contractors. The OGC will be setting up a centre of excellence on forms of contract. This is likely to provide advice on contracts that best support teamworking/partnering and other collaborative forms of working.

### SEC GROUP PRESIDENT WRITES TO BOATENG

John Harrower, SEC Group President, has written to Paul Boateng, Chief Secretary to the Treasury. The Chief Secretary is the sponsor of a joint report of OGC and the Commission for Architecture and the Built Environment on quality of design in public buildings. John Harrower explains that the failure to achieve consistency in design quality is primarily due to a failure to integrate the design process. Specialist engineering contractors are not talking to consultants about design solutions that are best suited to clients' needs. John Harrower states:

*"Over much of public sector construction procurement the design process remains fragmented and disjointed."*

Copies of this letter can be obtained from SEC Group Executive Secretary John Nelson [contract@secgroup.org.uk](mailto:contract@secgroup.org.uk)

For further information on all aspects of SEC Group and its activities contact:

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### CONSTRUCTION TAX SCHEME – MORE CHANGE

Changes to the Construction Industry Scheme are now imminent. Sub-contractors will be able to register over the telephone and via the Internet. Registered sub-contractors will no longer receive any documentation (e.g. CIS4, CIS5 or CIS6). A new verification process will apply; the contractor will need to confirm that the employment status of the sub-contractor has been checked. The Revenue will then advise whether the sub-contractor is registered and if so, whether to pay gross make a deduction. Periodic returns will replace vouchers and will be able to be submitted online.

### ADJUDICATORS' DECISIONS ARE BINDING – SAYS COURT OF APPEAL

In *Levolux v Ferson Contractors* the Court of Appeal has decided that there can be no set-off against amounts in adjudicators' decisions which have been determined as due. Contractual clauses expressly allowing for set-off against adjudicators' decisions are, therefore, not compliant with the Construction Act.

**A conference on adjudication will be held at the University of Wolverhampton on 10 April 2003. Booking hotline: 020 7608 5090.**