

SEC **f**OCUS

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

SPECIAL ISSUE

SEC GROUP GOES TO 10 DOWNING STREET FOR TALKS ON SECURITY OF PAYMENT



Claire Curtis-Thomas MP for Crosby led a SEC Group delegation consisting of Chairman Trevor Hursthouse, Chief Executive Rudi Klein and Executive Secretary John Nelson to 10 Downing Street on 21 April.

The purpose of the visit was to meet with Geoffrey Norris – Special Adviser in the Prime Minister's Policy Unit with responsibility for Trade and Industry issues. SEC Group had asked for the meeting.

The budget announcement by the Chancellor of the Exchequer of the review of the payment provisions in the Construction Act was welcomed. The review provided an opportunity to deal with inappropriate and unreasonable payment practices. It was emphasised that security of payment is the key to these problems.

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Impact on SMEs

The lack of security of payment for small and medium sized enterprises (SMEs) in construction was a major obstacle to enhancing the productivity and profitability of small firms which, after all, is a key aim of the Government's agenda. The consequence of this was that reputable firms were being lost to the industry as, indeed, were their resources especially skilled operatives, engineers and managers.

On payment security the practice of retentions and the impact of insolvencies upstream of the supply chain were identified as meriting urgent action.

Since the public sector now procured over half of the construction annual 'spend' it is in a strong position to lead the way in promoting better payment practices. This had been endorsed by the Better Regulation Task Force in its Report on 'Giving small businesses greater access to public sector contracts.' The Treasury had accepted the Report's recommendations.

Setting up of Task Force

To move matters forward the SEC Group had promoted the setting up of a taskforce – comprising of active parties - with terms of reference as follows;

- Monitor progress in removing retentions on government projects and overcome obstacles.
- Support the Office of Government Commerce in its attempt to reach a target of defect-free construction on 70% (by volume) of all construction projects by March 2005.
- Promote alternative mechanisms for government projects that reinforce team working arrangements while enhancing payment security and avoiding the need for retentions (for example through project bank accounts)
- Put in place measures to provide small and medium-sized firms with greater protection from the insolvencies of upstream payers and to help reduce retention abuse.

It was pointed out to Geoffrey Norris that support in principle had been received from Chief Secretary to the Treasury – Paul Boateng MP - and the Small Businesses and Construction Minister –Nigel Griffiths MP – at earlier meetings.

The Policy Unit indicated support in principle and would consult with relevant Ministers and officials about this initiative.

Next Steps

The SEC Group will press ahead with the membership of the Task Force. Claire Curtis-Thomas MP has agreed to chair. Both Paul Boateng and Nigel Griffiths had been invited to nominate an official from their respective departments.

Defence Estates, Department of Health, Highways Agency and the Better Regulation Task Force will be invited to attend. SEC Group will be represented and provide the secretariat.



The Task Force will report to Paul Boateng and Nigel Griffiths and the aim is to arrange the first meeting of the Task Force very shortly.

STOP PRESS - Guidance on Retentions to Local Authorities:

The Local Government Association/ Federation of Property Societies has issued guidance on retentions to Chief Executives of Local Authorities (England only), Clerks to Police, Joint Fire and Transport Authorities. The guidance makes specific reference to;

'Retentions are not compatible with long term partnering arrangements as recommended by Rethinking Construction. They are an added cost to the client and add no value to the project.'

'Retentions are not within the spirit of Rethinking Construction and need to be phased out'.

The full guidance notes can be viewed on the SEC Group Website www.secgroup.org.uk

SEC Group recommends that local authorities should be reminded of the guidance notes when firms enter into negotiations on local authority contracts (whether as direct contractors or subcontractors)

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

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