



## 'Aldous' Bill Delayed Again!

The Confederation has been supporting the 'Aldous' Bill path through parliament because it is an attempt to protect SMEs' retentions from spurious deductions and upstream insolvencies.

More than £10.5bn of SMEs' potential working capital is locked up in retentions every year and £7.8bn was unpaid in the last three years, with upstream insolvencies leading to £700m being entirely lost to SMEs in a three-year period.

This Bill attempts to provide a solution that will help all parties involved in construction by stabilising and securing cash-flow – including main contractors and clients. The Construction Retention Deposit Schemes Bill, otherwise known as the Aldous Bill, proposes that cash retentions be held in trust accounts to protect the supply chain. Although this is not an ideal solution, it is certainly a step in the right direction. However, whether it will ever become adopted is debatable as there are problems. One such problem is that if all the retention money is put in deposit schemes, it becomes money that is not being used.

Main Contractors should not be using retention money to pay bills, but they do, so what will happen in the short term if that money is not available? The Confederation of Construction Specialists believes that the Government has realised this and is concerned about the sustainability of the construction industry if the billions in retention money is made unusable, which is a reason why the 'Aldous' Bill will most likely be kicked further into the long grass. Indeed, the second reading has been postponed again until October 26<sup>th</sup>.

The ideal solution to the retention issue is that contractors do not take retentions and pay their bills on time, which is why it is such good news that, as reported in the press, Network Rail has announced an overhaul in its contract payments which sees the rail industry becoming the first sector within the wider UK construction industry to enforce 28-day payments and a ban on retentions. The changes will mean tier one contractors are banned from using retentions and told to pay suppliers within 28 days of work being carried out.

It is clear that following the Carillion collapse and the pressure from federations, including the Confederation of Construction Specialists and other industry bodies that movement is happening that could eventually rid the industry of retentions altogether.

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