

# Hon Jenny Salesa

Minister for Building and Construction



MEDIA STATEMENT

**EMBARGOED**

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## Govt delivers security for construction subcontractors

Subcontractors will have greater certainty, more cashflow support and job security with new changes to retention payments under the Construction Contracts Act says Minister for Building and Construction Jenny Salesa.

A recent review of the retentions money regime showed that most of the building and construction sector is complying with the Act. However, there is more work to be done to protect subcontractors in two particular areas - firstly, to prevent co-mingling retention money with working capital, and secondly to provide clear, regular and useful information on where and how retention money is held.

“We have listened to the sector and are making the necessary changes to ensure our builders, plumbers, electricians, and other tradies are better protected in the unfortunate event of developer or construction firm insolvency.

“We know when big contractors fall over, it’s the subcontractors that are hit the hardest. This Government is delivering security for our subbies.

The changes include:

- introducing a new offence and penalties for company directors and firms who don’t comply with their responsibilities
- strengthening how retention money is held to prevent firms from dipping in to retention money to use as working capital
- requiring those holding retention money to issue a transparency statement stating how much is being held and where

“These changes will give subcontractors greater confidence that contractors holding retention money are looking after it. They will be able to clearly see where and how this money is being held.

A new offence will be introduced to improve compliance, with the penalty for failing to comply being a fine up to \$50,000 for company directors and \$200,000 for firms.

“These changes will share risk more fairly across clients, head contractors and subcontractors, and reduce the financial burden on small to medium businesses, which make up the majority of the construction sector.”

The changes also support objectives from the Construction Sector Accord, a shared commitment between government and industry to transform the construction sector.

Under the Accord’s Construction Sector Transformation Plan, there is an expectation that all Accord members will comply with the retentions regime – holding retention money separately and proactively sharing information on their accounts with subcontractors.

“Ultimately, this Government is making common-sense changes to the Construction Contracts Act to give certainty to our subcontractors, who are the backbone of the building and construction sector and support the COVID-19 economic recovery.”

## **ENDS**

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### **Note to Editors**

*Retention money is an amount withheld by a party to a construction contract (a contractor) from an amount payable to another party to the contract (a subcontractor) as security for the performance of the subcontractor’s obligations under the contract. Put simply, retention funds are held as a bond or guarantee of the quality of work performed by a subcontractor.*

*Holding retention money is a voluntary practice within the construction sector. Depending on the terms of the contract, retention money can be between 2 and 10 per cent of the contract price and is paid back to the subcontractor after 12 months, following the expiry of the defects liability period.*

*Not being paid retention money when due can significantly affect business risk and profitability for subcontractors. This risk increases when construction companies fail.*