
Payment and cashflow in construction

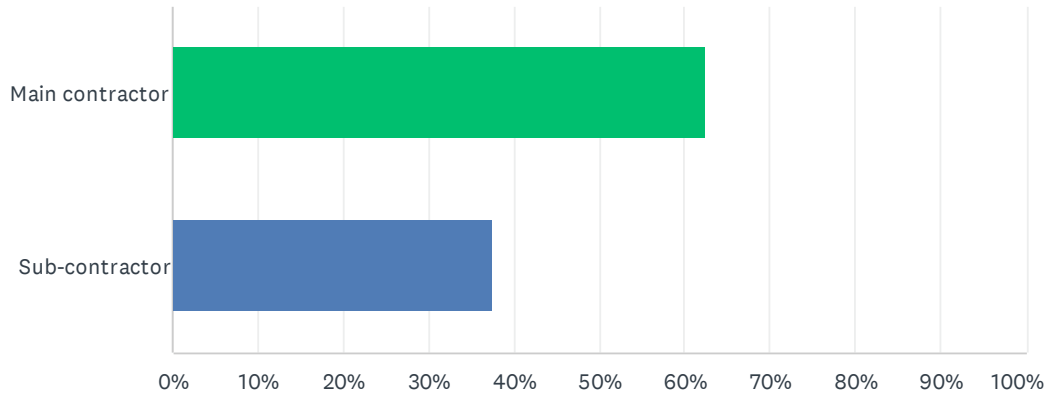
Results of survey by Construction Industry Collective Voice



January 2023

Before starting, please advise if you are responding as a:

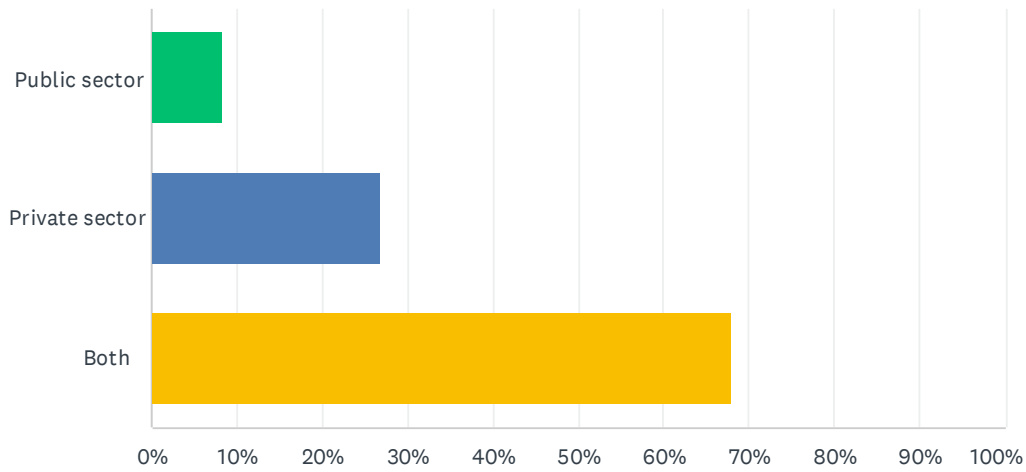
Answered: 96 Skipped: 2



ANSWER CHOICES	RESPONSES	
Main contractor	62.50%	60
Sub-contractor	37.50%	36
TOTAL		96

Also please advise if you work in the:

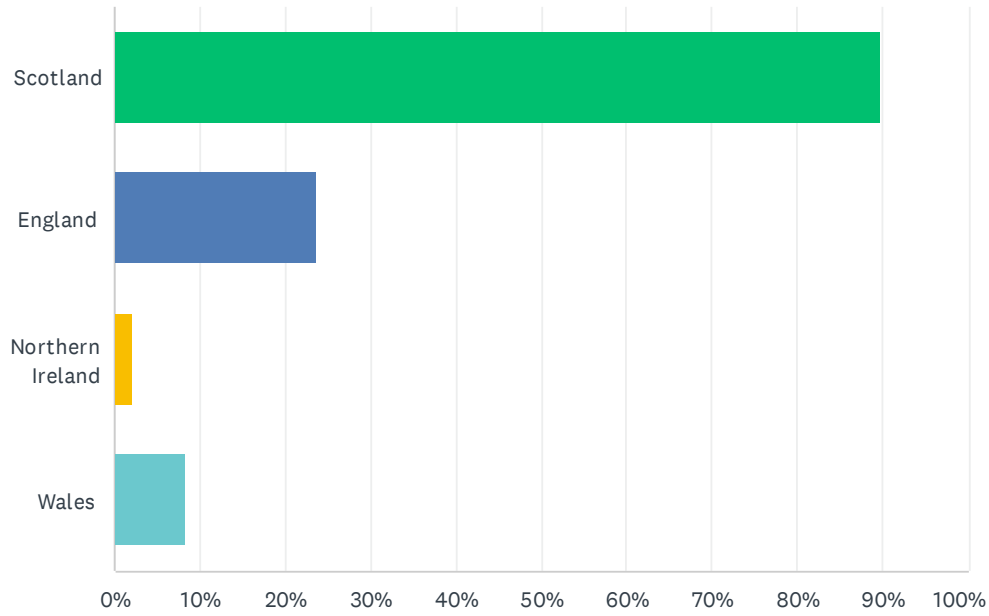
Answered: 97 Skipped: 1



ANSWER CHOICES	RESPONSES
Public sector	8.25% 8
Private sector	26.80% 26
Both	68.04% 66
Total Respondents: 97	

And finally, where do you carry out your work (tick any that apply):

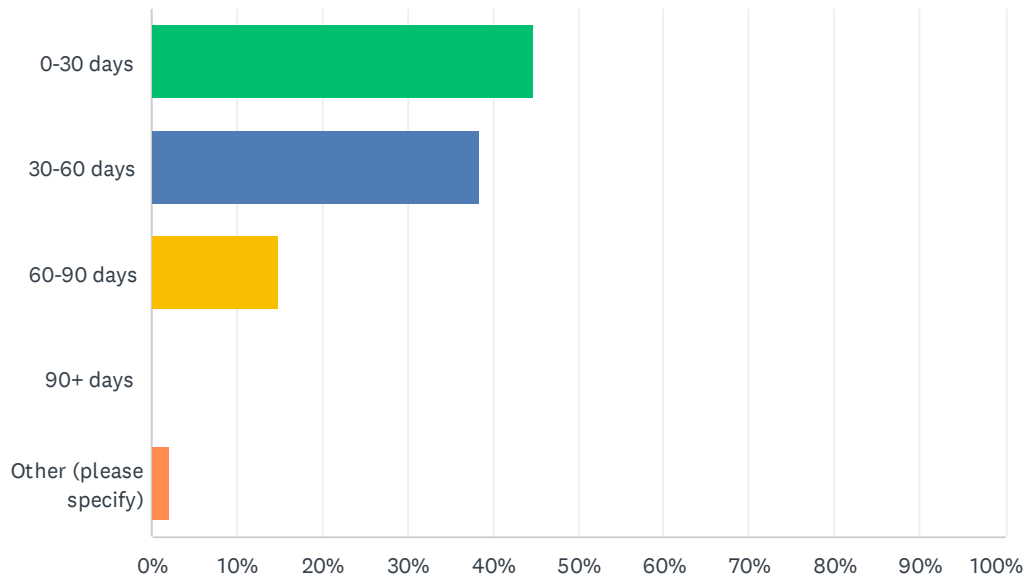
Answered: 97 Skipped: 1



ANSWER CHOICES	RESPONSES
Scotland	89.69% 87
England	23.71% 23
Northern Ireland	2.06% 2
Wales	8.25% 8
Total Respondents: 97	

1. What is the average payment time between the date of your application and the final date for payment for construction projects?

Answered: 47 Skipped: 51



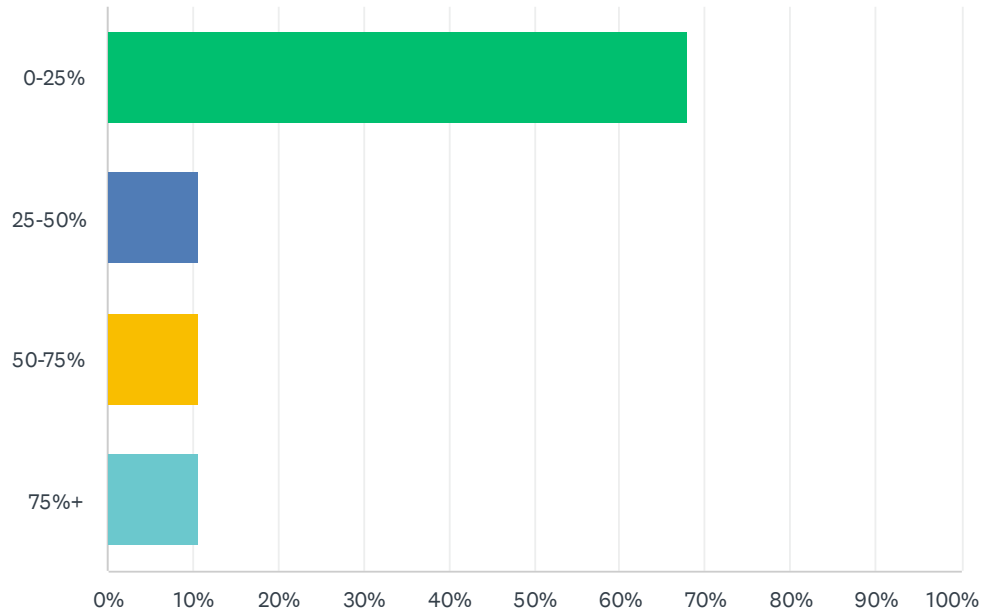
ANSWER CHOICES	RESPONSES	
0-30 days	44.68%	21
30-60 days	38.30%	18
60-90 days	14.89%	7
90+ days	0.00%	0
Other (please specify)	2.13%	1
TOTAL		47

Other (please specify)

- experience with my clients

2. What proportion of your applications for payment in 2022 were subject to a pay less notice or were disputed in some way?

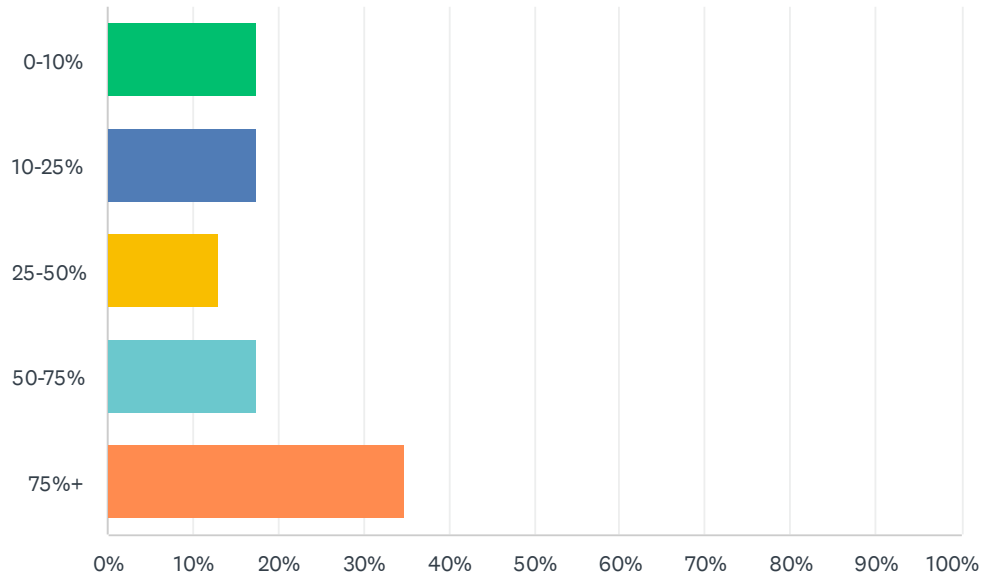
Answered: 47 Skipped: 51



ANSWER CHOICES	RESPONSES	
0-25%	68.09%	32
25-50%	10.64%	5
50-75%	10.64%	5
75%+	10.64%	5
TOTAL		47

3. What proportion of your payment applications were settled in full and within agreed terms?

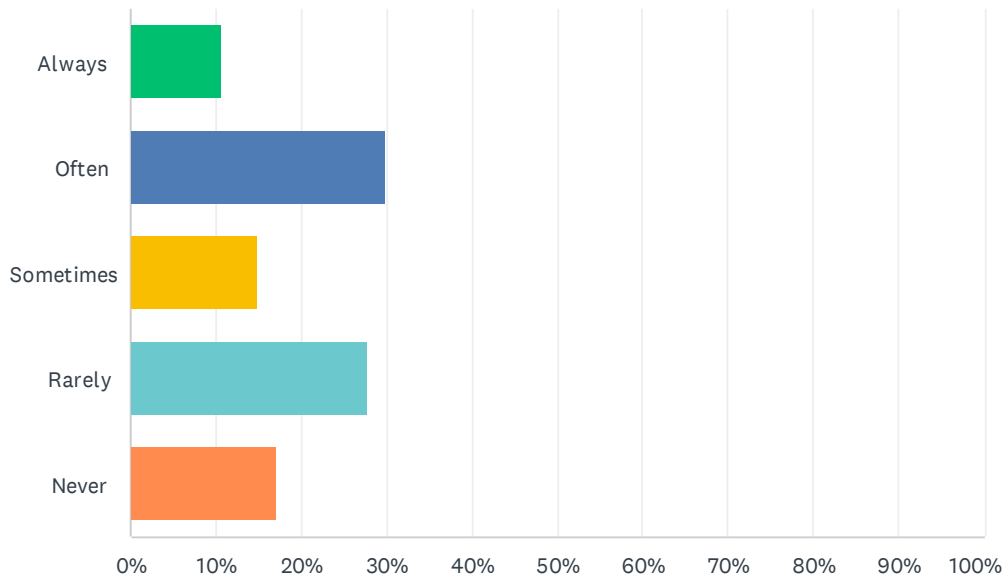
Answered: 46 Skipped: 52



ANSWER CHOICES	RESPONSES
0-10%	17.39% 8
10-25%	17.39% 8
25-50%	13.04% 6
50-75%	17.39% 8
75%+	34.78% 16
TOTAL	46

4. How often did you receive reduced payments?

Answered: 47 Skipped: 51

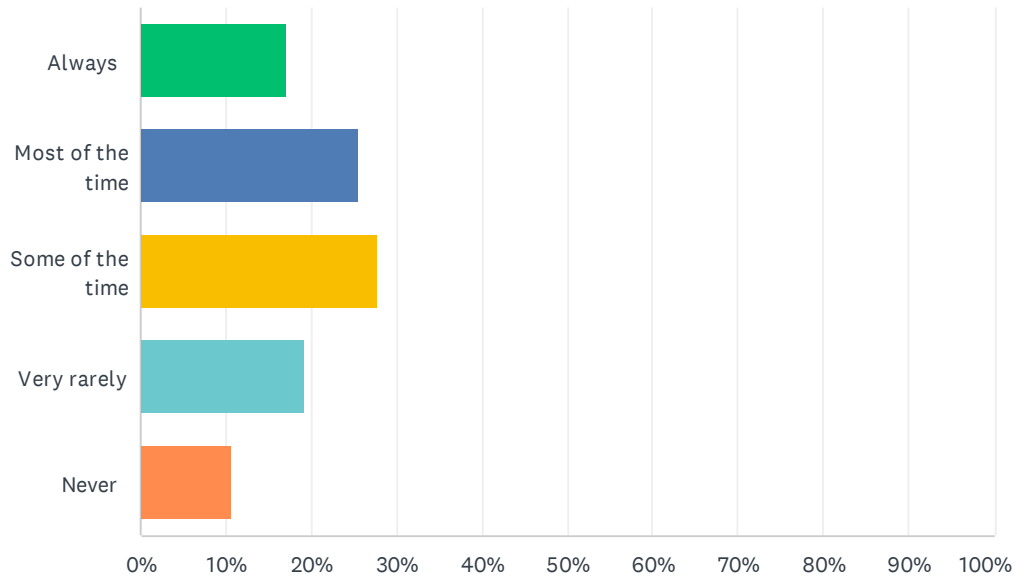


ANSWER CHOICES	RESPONSES	
Always	10.64%	5
Often	29.79%	14
Sometimes	14.89%	7
Rarely	27.66%	13
Never	17.02%	8
TOTAL		47

5. If an application for payment has been adjusted by the payer and a payment notice is issued to reflect the adjusted amount, how often is a detailed breakdown and explanation for such an adjustment provided?

Please tick ONE:

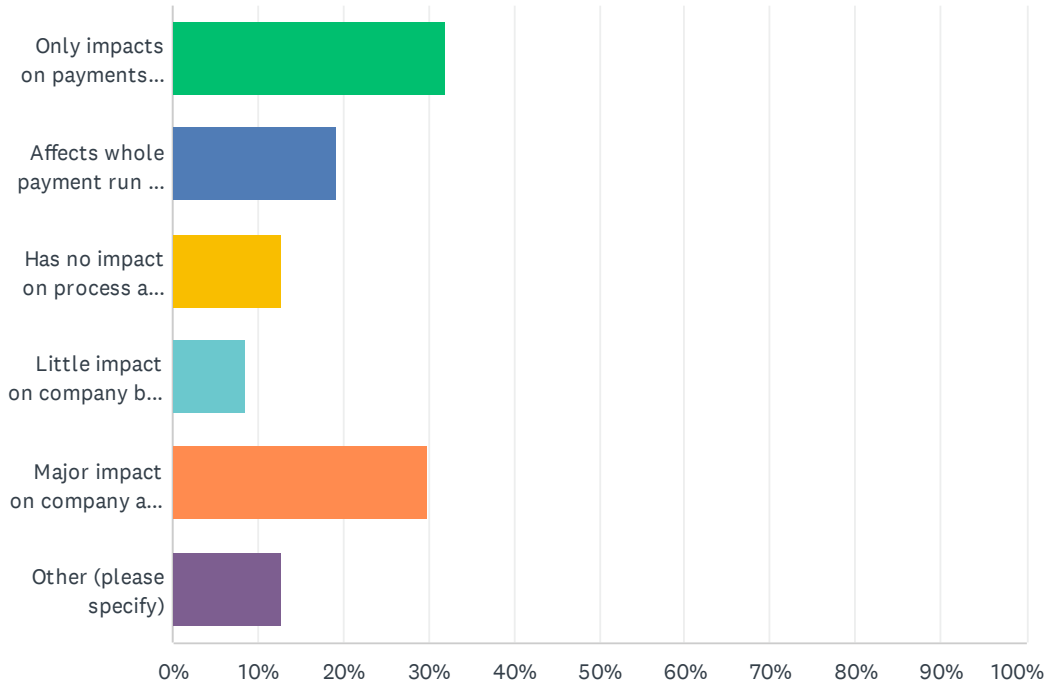
Answered: 47 Skipped: 51



ANSWER CHOICES	RESPONSES	
Always	17.02%	8
Most of the time	25.53%	12
Some of the time	27.66%	13
Very rarely	19.15%	9
Never	10.64%	5
TOTAL		47

6. If a pay less notice is issued in respect of an application for payment or a certified amount, even when issued within the stipulated contractual timeframe, what impact does this have in relation to payments that your company has to make further down the supply chain? Tick ANY that apply:

Answered: 47 Skipped: 51



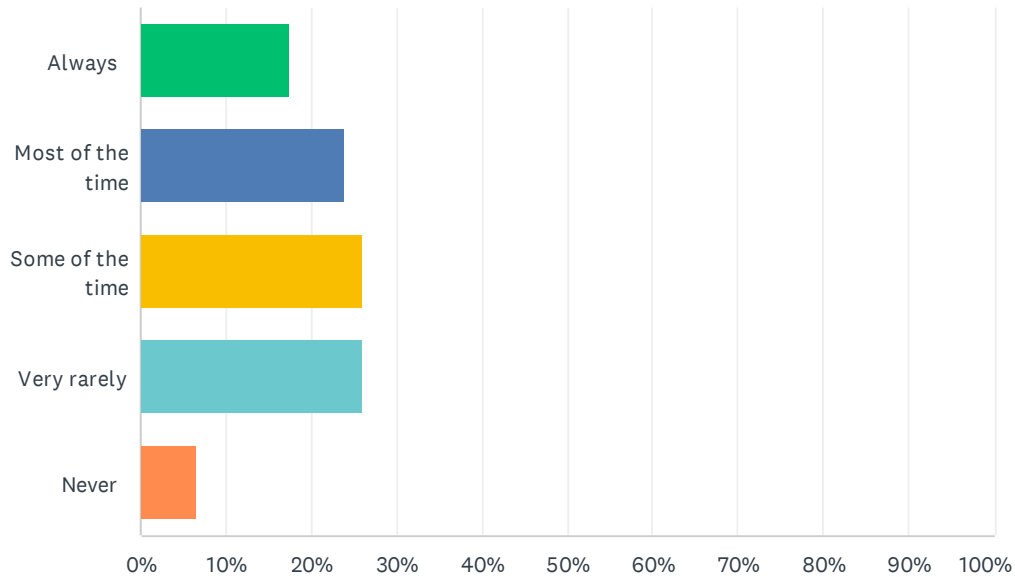
ANSWER CHOICES	RESPONSES	
Only impacts on payments being made to parties affected by adjustment	31.91%	15
Affects whole payment run and may delay payments to supply chain	19.15%	9
Has no impact on process as payment terms provide sufficient time to make adjustments	12.77%	6
Little impact on company but major impact on supply chain	8.51%	4
Major impact on company as expected cashflow into business being reduced puts pressure on ability to process payments and pay wages etc	29.79%	14
Other (please specify)	12.77%	6
Total Respondents: 47		

Other (please specify)

- N/A
- On impact, we don't pass on
- If pay less notice is received very last minute puts pressure on cash flow and leaves no time to dispute but has limited impact on supply chain as we pay on time to all our suppliers to keep up good working relationship and wages are paid from retained funds. If a large payment is withheld this causes pressure on cashflow but we try to ensure no impact on others.
- We've not received any
- dont know
- Never had this experience

7. Standard forms of contract generally provide for payments to be made by the payer to the payee within 21 days of the valuation or due date. How often does the payment period specified in this form get amended? Please tick ONE:

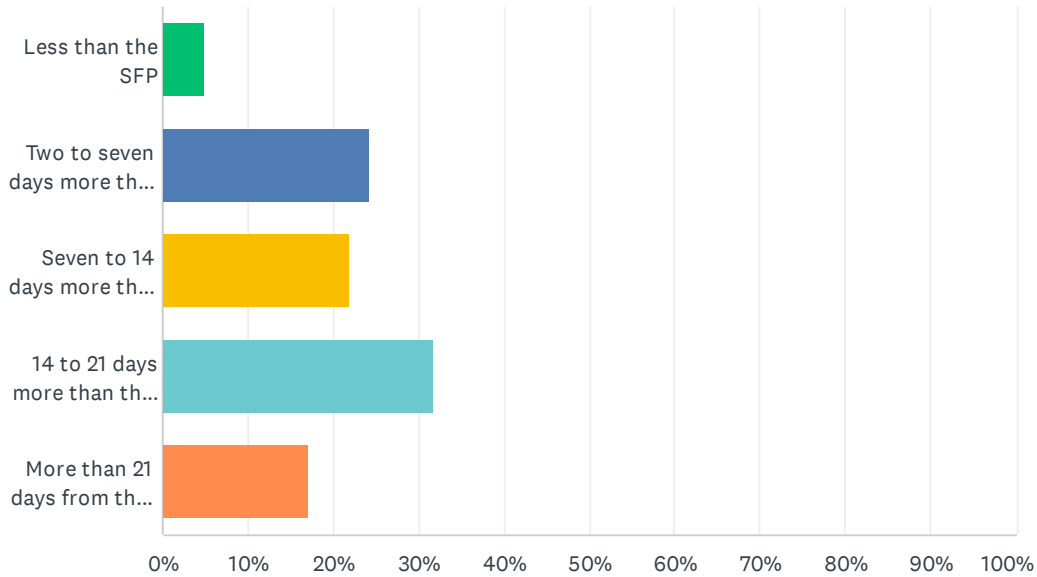
Answered: 46 Skipped: 52



ANSWER CHOICES	RESPONSES	
Always	17.39%	8
Most of the time	23.91%	11
Some of the time	26.09%	12
Very rarely	26.09%	12
Never	6.52%	3
TOTAL		46

8. If the standard form period (SFP) for payment is amended, is the period stated:

Answered: 41 Skipped: 57



ANSWER CHOICES	RESPONSES	
Less than the SFP	4.88%	2
Two to seven days more than the SFP	24.39%	10
Seven to 14 days more than the SFP	21.95%	9
14 to 21 days more than the SFP	31.71%	13
More than 21 days from the SFP	17.07%	7
TOTAL		41

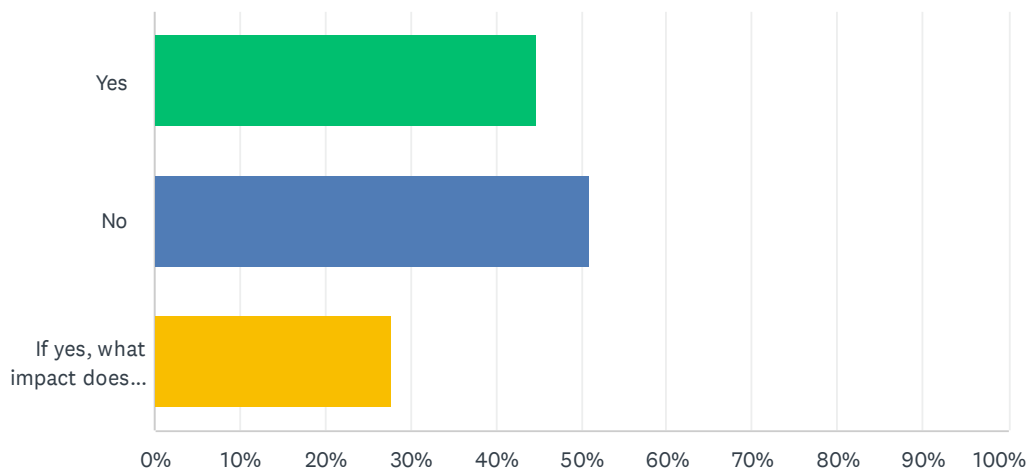
9. What reasons are you often given for deductions being made from your applications?

Answered: 35 Skipped: 63

- Time for 3rd party funder to process payment to client, eg insurance company, lottery etc, grants etc. Some councils take further 14 days for complicated authorisation procedures.
 - N/A
 - lack of evidence, wooly statements from main contractor, repeated request of vouching despite being submitted.
 - Different calculation provided by clients' QS itemising amounts.
 - Works are not done
 - Payment on account/meantime - client QS has not taken time to review in detail
 - Defective works or unagreed variations.
 -
 - Disputed value of variations
 - Never happened to us as a business
 - EOT / Variations. Often on basis that Employer has not reviewed / accepted and by virtue payment not released
 - No real pattern
 - Need further information, lack of formal instructions
 - Unsubstantiated lump sum contra charges Late notification of contra charges from other sub-contractors / contractor Disagreement on progress of works (mostly unsubstantiated)
 - Not enough evidence to back up claim
 - insufficient information provided - despite it being provided! no reason - only a much reduced amount with the comment - allow meantime
 - re-measured, contra charges, disputed rates, disputed extra works value
 - Site specific - In Fairness we haven't really experienced any spurious reasons.
 - Over claim on work done despite providing back-up Disputed rates with variations
 - extra items of work carried out out with the estimated cost (but agreed) so another purchase order is to be raised or original amended and we only get told when we chase payment for the invoice
 - Over-run of contractual period
 - Disagreement of amount of work completed. Disagreement of value of variations
 - picking up on stuff that has been completed and in good order
 - Hardly any detail is provided to be honest
 - Normally pathetic excuses to build up a reserve of due money to the contractor in addition to the contractual retention.
 - Work not 100% complete
 - Dont get deductions from our applications
 - Cash flow from client
 - Very few. Usually most will pay on account.
 - They don't want to pay for the variations and additional work or disagree the amount of work valued.
 - 'on account' ie they haven't had enough time to assess
- Disagree
- Disputed cost of Variations. Over claim of work completed in period

10. Have you ever had unexpected contra charges applied?

Answered: 47 Skipped: 51



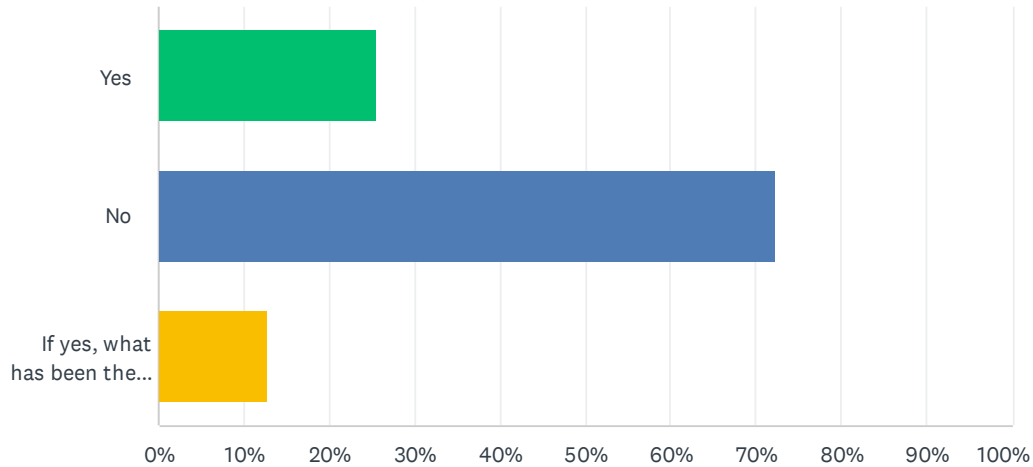
ANSWER CHOICES	RESPONSES	
Yes	44.68%	21
No	51.06%	24
If yes, what impact does this have?	27.66%	13
Total Respondents: 47		

If yes, what impact does this have?

- Reduced payments, another area of dispute, wooly reasons for contra charges.
- Severe impact on cash flow, and escalation within business to resolve
- reduced cashflow
- cashflow shortages, staff hours investigating why there is a shortfall to justify the contra charge
- Reduction in the amount shown in the cash flow. Also some times this can be applied late in the contract after the supply chain are paid
- cash flow
- Fortunately we have only had contras applied a few times over a 10 year period
- Minor only rarely applied
- dont know
- Invariably places our company under severe cash flow pressures.
- It causes great stress and un-necessary work load for commercial department.
- It cause a major impact on our cashflow
- Most contra charges are for small amounts and have little impact.

11. If an employer does not pay you by the final date for payment, have you invoked the suspension provisions in your contract?

Answered: 47 Skipped: 51



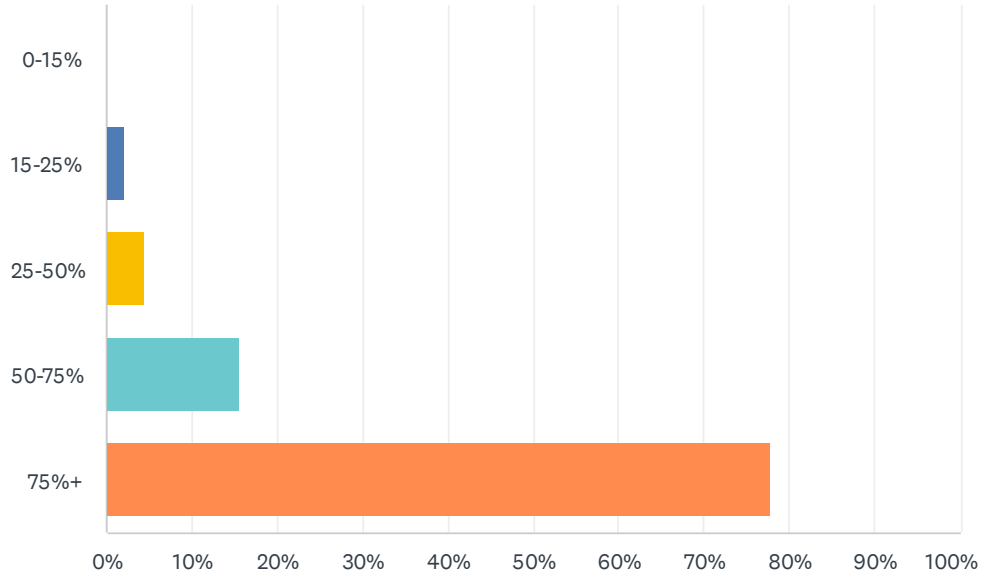
ANSWER CHOICES	RESPONSES	
Yes	25.53%	12
No	72.34%	34
If yes, what has been the response?	12.77%	6
Total Respondents: 47		

If yes, what has been the response?

- Negotiation and payment follows.
- sometimes we get payment by return other times it has little/no effect
- dont know
- Normally continue to 'play the system'. Contract is normally 'kept locked in the drawer.'
- Immediate payment
- Usually gets a result

12. What proportion of your final account valuation do you normally secure?

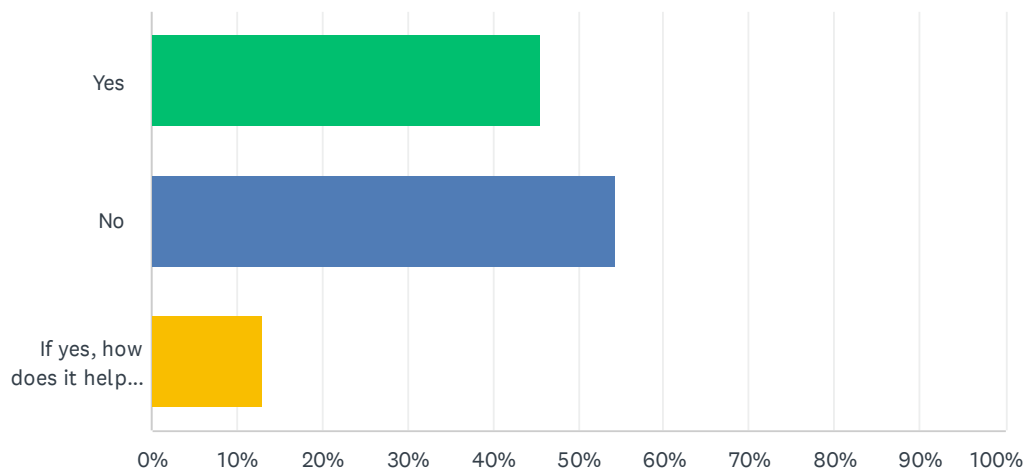
Answered: 45 Skipped: 53



ANSWER CHOICES	RESPONSES
0-15%	0.00% 0
15-25%	2.22% 1
25-50%	4.44% 2
50-75%	15.56% 7
75%+	77.78% 35
TOTAL	45

13. Do you use self-billing?

Answered: 46 Skipped: 52



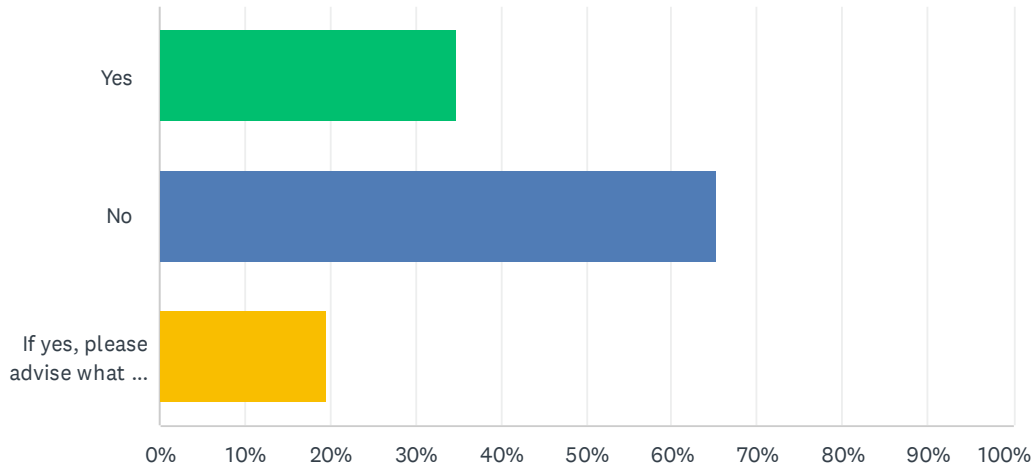
ANSWER CHOICES	RESPONSES	
Yes	45.65%	21
No	54.35%	25
If yes, how does it help to improve payment issues?	13.04%	6
Total Respondents: 46		

If yes, How does it help to improve payment issues?

- Avoids the need for credit notes, allows the application to be responded to and adjusted in applicable.
- it doesn't, it only appears to advantage the MC or client
- it helps with the admin side of the application, invoice process
- All information provided on time each year to Main Contractor
- Doesn't
- Removes the need for raising an invoice which removes a reason for Main Contractor delaying payment.

14. Do you use any technology to help improve your payment processes?

Answered: 46 Skipped: 52



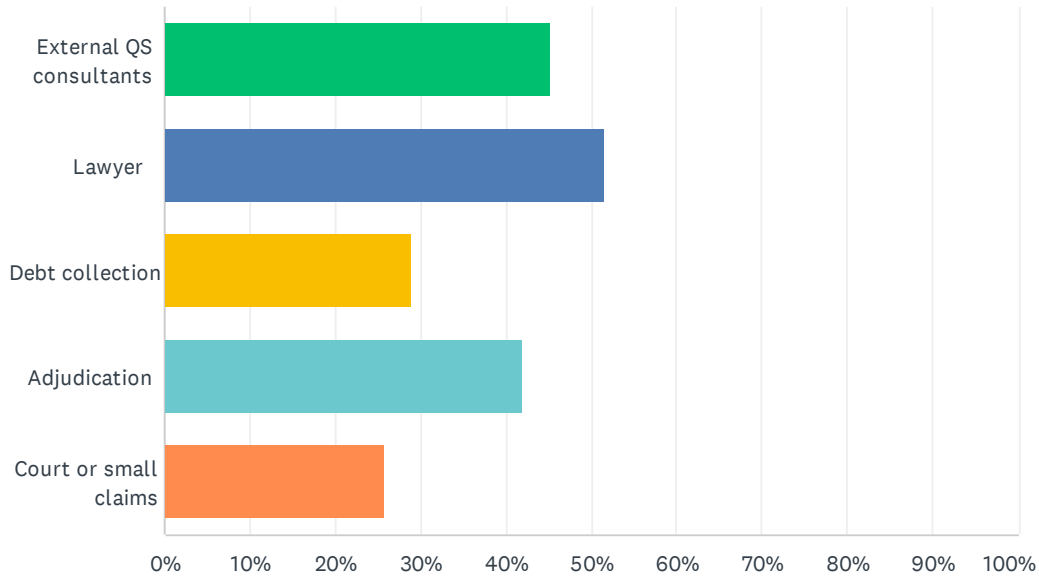
ANSWER CHOICES	RESPONSES	
Yes	34.78%	16
No	65.22%	30
If yes, please advise what you use:	19.57%	9
Total Respondents: 46		

If yes, please advise what you use:

- Xero
- COINS reporting system
- Sage
- Bacs
- Some clients have adopt bank schemes which allows you to pay for early release of funds
- Excel spreadsheets , close track kept on all applications and payment due dates
- Whats the point?
- Quickbooks
- Software to track apps/retentions/CIS

15. Do you use any of the following to assist in dealing with payment issues? Tick all that apply:

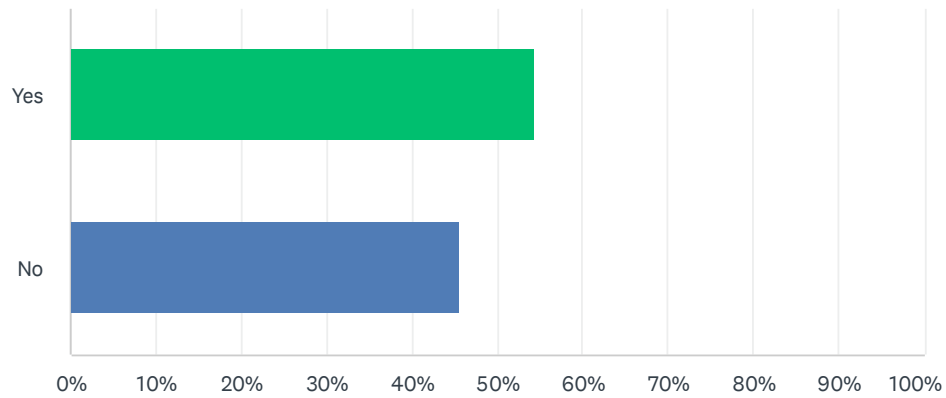
Answered: 31 Skipped: 67



ANSWER CHOICES	RESPONSES	
External QS consultants	45.16%	14
Lawyer	51.61%	16
Debt collection	29.03%	9
Adjudication	41.94%	13
Court or small claims	25.81%	8
Total Respondents: 31		

16. Have you ever used adjudication to resolve a dispute?

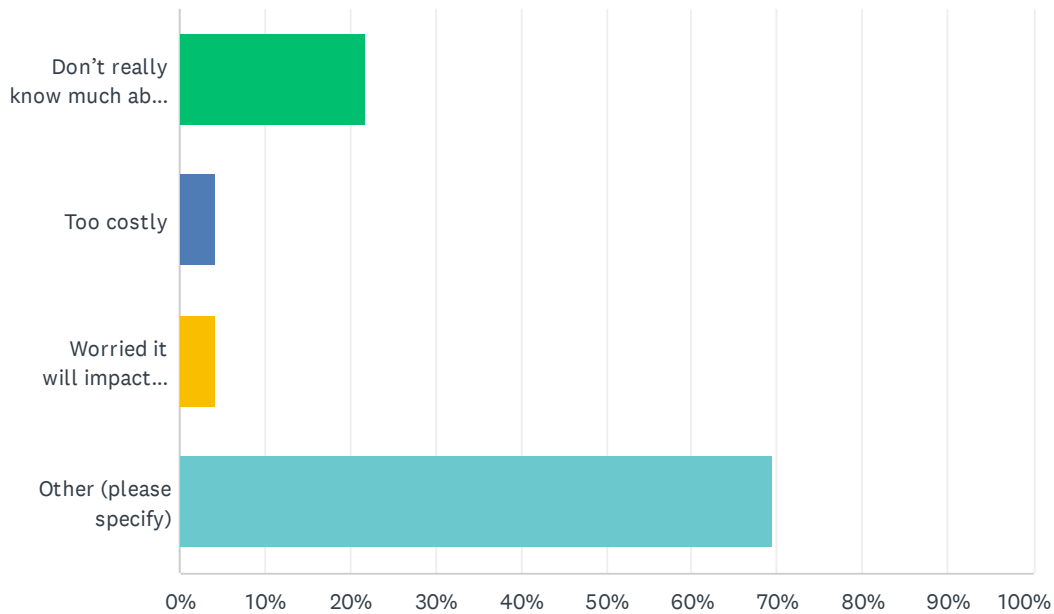
Answered: 46 Skipped: 52



ANSWER CHOICES	RESPONSES	
Yes	54.35%	25
No	45.65%	21
TOTAL		46

If no, why not? Tick all that apply:

Answered: 23 Skipped: 75



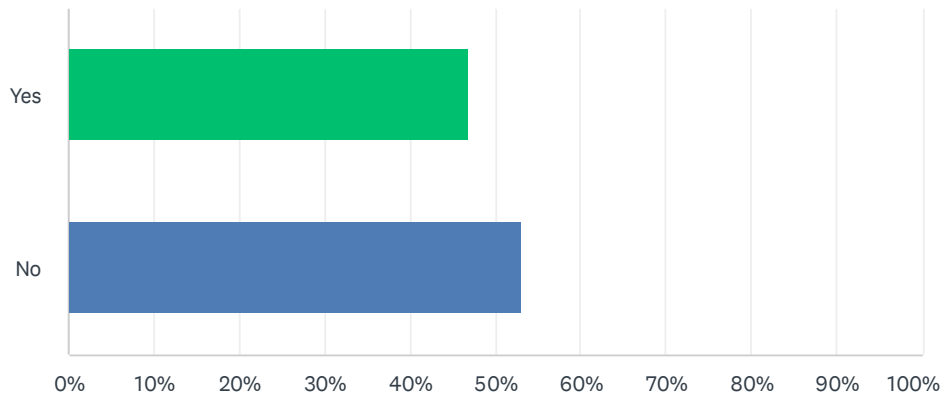
ANSWER CHOICES	RESPONSES	
Don't really know much about it	21.74%	5
Too costly	4.35%	1
Worried it will impact future work opportunities/relationships	4.35%	1
Other (please specify)	69.57%	16
Total Respondents: 23		

Other (please specify)

- Not needed
- Prepared to use, previously were close to starting action then settlement was reached.
- N/A
- Debt hasn't reached that stage
- It's just never happened I've always talked through with clients and payment has always been made
- No need
- used arbitration
- To date, always resolved without .
- We have never had a project that we have let get to the stage/lost control of that that has become an option for remedy.
- Not required
- Becomes far too contractual.
- Not had to.
- Time consuming and not relevant
- We managed to settle before it went that far.
- Usually resolved before we get that far
- Getting a Decision does not guarantee payment

17. Are you aware of the Low-Cost Value Adjudication Schemes?

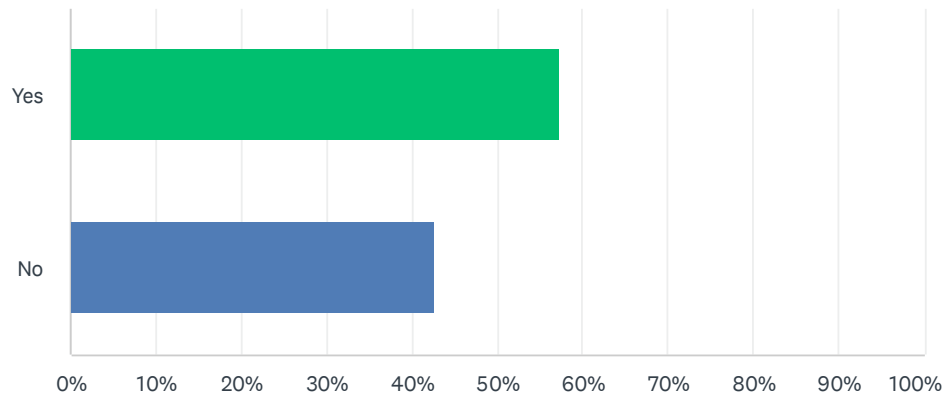
Answered: 47 Skipped: 51



ANSWER CHOICES	RESPONSES	
Yes	46.81%	22
No	53.19%	25
TOTAL		47

18. Are you aware of the Conflict Avoidance Process?

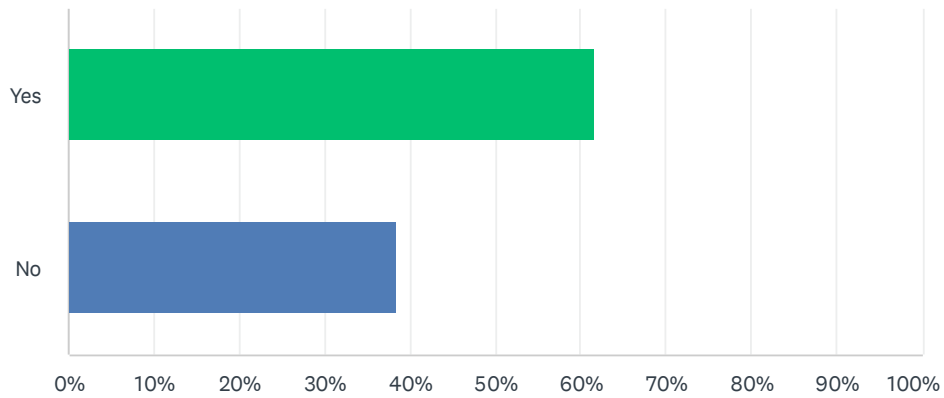
Answered: 47 Skipped: 51



ANSWER CHOICES	RESPONSES	
Yes	57.45%	27
No	42.55%	20
TOTAL		47

19. Are you aware of project bank accounts (PBA)?

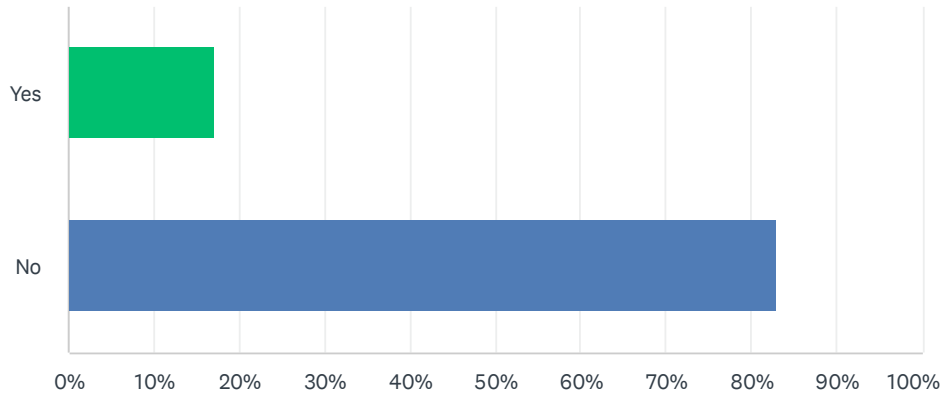
Answered: 47 Skipped: 51



ANSWER CHOICES	RESPONSES	
Yes	61.70%	29
No	38.30%	18
TOTAL		47

20. Have you had any personal experience of a PBA?

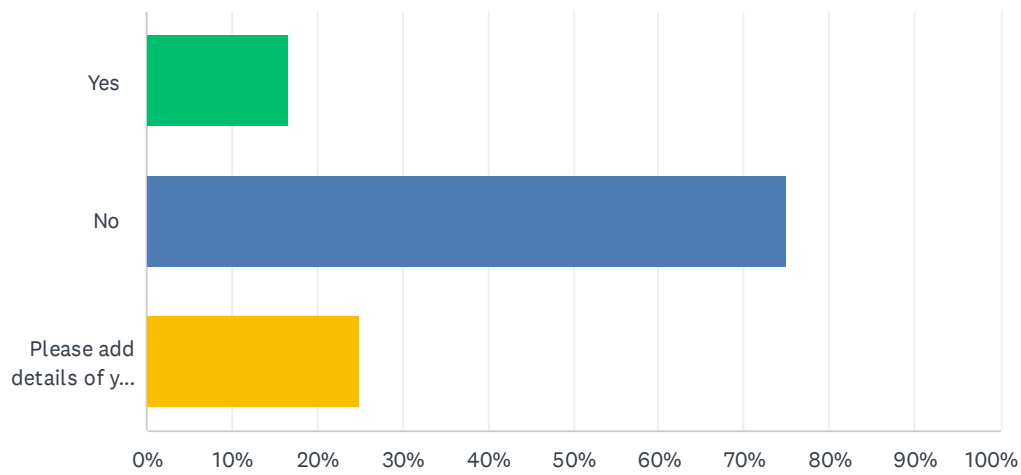
Answered: 47 Skipped: 51



ANSWER CHOICES	RESPONSES	
Yes	17.02%	8
No	82.98%	39
TOTAL		47

If yes, did you find that you were paid more quickly than normal?

Answered: 12 Skipped: 86



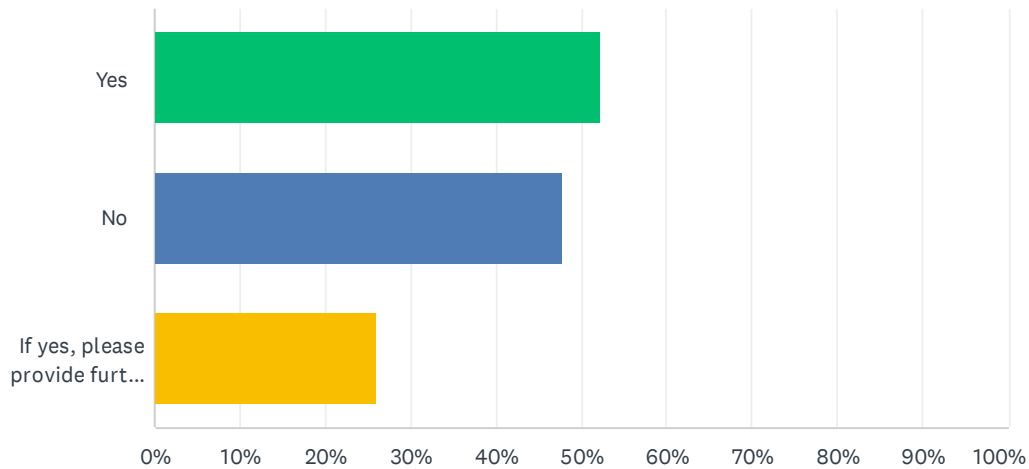
ANSWER CHOICES	RESPONSES	
Yes	16.67%	2
No	75.00%	9
Please add details of your experience:	25.00%	3
Total Respondents: 12		

Please add details of your experience:

- N/A
- Employer often not set up in time, complications around payment for delays, insolvencies, contra charges.
- Don't improve the process, make it worse

21. Are you experiencing problems getting outstanding retentions paid?

Answered: 46 Skipped: 52



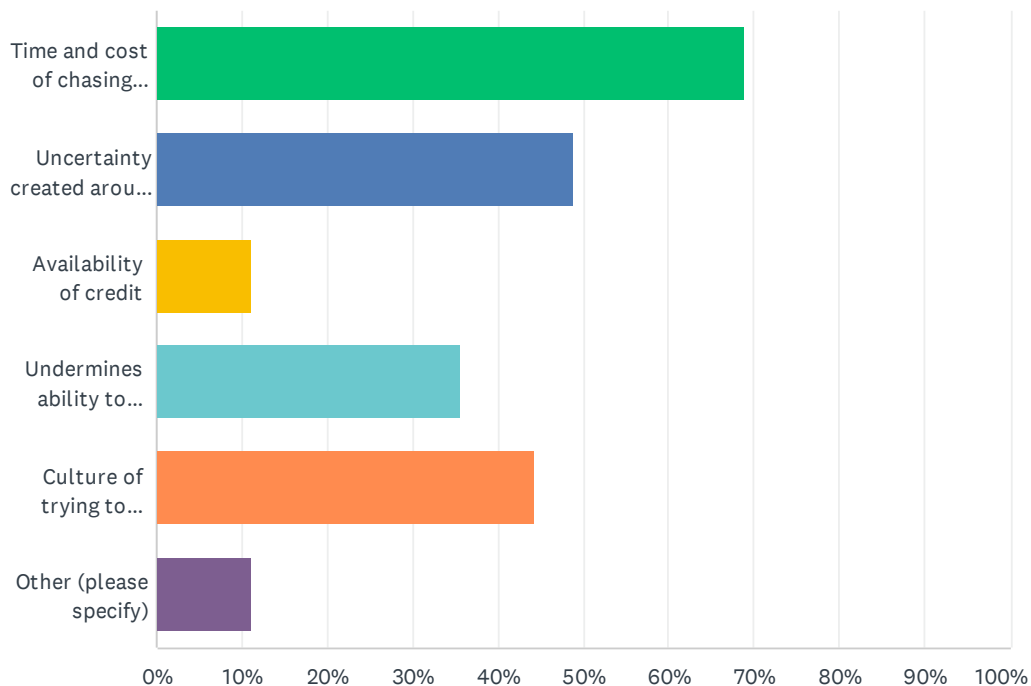
ANSWER CHOICES	RESPONSES	
Yes	52.17%	24
No	47.83%	22
If yes, please provide further details:	26.09%	12
Total Respondents: 46		

If yes, please provide further details:

- Main issue was one main contractor, who have went into liquidation.
- Delay in receiving making good defects cert.
- Certain clients withholding disproportionate sums for minor defects; BREEAM certification etc
- Employers hold full retention often for minus defects for excessive periods (2-3years beyond due)
- Customers just don't want to pay it, and will use minor faults as excuses such as wrong type of screw head.
- Occasionally where companies have ceased trading. Also if you do work at the start of a project and it over runs by a significant period before PC is obtained it can greatly increase the retention is held.
- Some contractors are better than others - mostly it's the time it takes post completion that is the problem
- The main contractors believe this is their profit
- It is human nature to not release money for something you the client has lived in for over 12 months
- This never goes away
- Main Contractors still don't want to release retention until they have received theirs from their client.
- Constantly

22. What is your most significant problem in terms of payment? Please tick any:

Answered: 45 Skipped: 53



ANSWER CHOICES	RESPONSES	
Time and cost of chasing monies	68.89%	31
Uncertainty created around what final payment will be	48.89%	22
Availability of credit	11.11%	5
Undermines ability to invest and develop	35.56%	16
Culture of trying to 'squeeze' all jobs	44.44%	20
Other (please specify)	11.11%	5
Total Respondents: 45		

Other (please specify)

- None

Generally we don't have problems

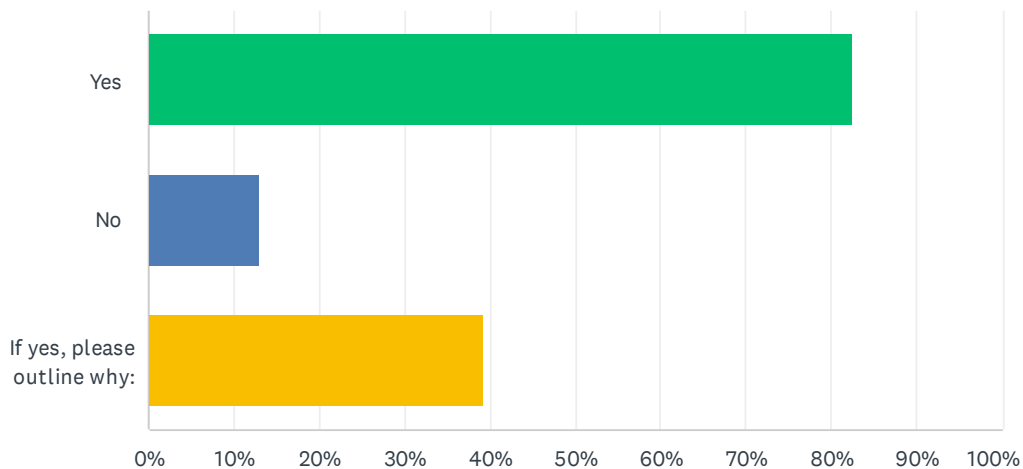
- We are fortunate not to have been exposed to any significant problems with payment - We would have to record that our clients have all generally stepped up to the plate and made accurate timeous payments - a very small observation would be in minor works situations where the client doesn't understand the correct process and can become to personally or emotionally involved failing to recognise the terms of the contract and the obligations placed on them.

- Payment terms over 30 days are unacceptable - we pay all Suppliers in 30 days so always waiting on monies in

- Contracting is no longer a certain way of making money.

23. Should public and private sector employers take a more robust approach to ensure that money goes to the right people at the right time?

Answered: 46 Skipped: 52



ANSWER CHOICES	RESPONSES
Yes	82.61% 38
No	13.04% 6
If yes, please outline why:	39.13% 18
Total Respondents: 46	

If yes, please outline why:

- Clients have a responsibility to 'set the tone' for payments to M/C and their supply chain, rather than imposing archaic retentions, performance bonds, non standard payment terms etc
- The biggest issue we have is getting paid on time by local authorities, there accounts/payment runs always result in the payment from the Employer coming to the main contractor late. This combined with the main contractor having to comply with a pay the supply chain in line with the agreed terms means the contractor is always in a negative cash position.
- it is the only way to ultimately make a business more efficient.
- Because not all business' are run to the same standards as ours nor do they have the same capability and/or moral compass- This is apparent from the feedback we get through the supply chain of the behaviours of other clients/contractors and this practice of squeezing the supply chain should be rooted out as it is unprofessional on many levels.
- To allow people to cash flow more accurately
- no comment
- Subcontracting is a precarious industry. Shorter payment terms would improve cash flow enormously
- ie if it is work carried out for insurance - insurance companies should pay direct to us not the customer as we have had no payment before for insurance work as customer was paid and we didn't receive it from them
- I don't see why not but it would be difficult to police

Question 23 continued:

- So called fair trade councils , but never checked , down the supply chain
- If they do not pay their supplychain wihtin 21 days they should be banned for tendering
- Why not?
- The whole culture in the industry has to change
- Timely payment would be good
- I though it was part of the outlawing of paid when paid and it should be part of their ethical approach to working with sub contractors
- pretty obvious that if cash flows then many business issues are resolved
- If the subcontractor does not receive the correct payment at the correct time this can jeopardize their ability to trade effectively and ultimately lead to the closure of businesses.
- Employers should take a greater interest in payments to the supply chain

24. In your opinion, what should be changed in the industry to reduce and resolve payment and cashflow issues? Please add any other comments here.

Answered: 32 Skipped: 66

- We have problems with public sector, such as NHS, due to their completed procedure, with too many authorisations etc that prolongs and delay payment. A simplified process would help. If the public sector can't make payment on time this affects everyone further down the supply chain.
- It is very difficult to identify the key problem. Perhaps training, quality of QS teams, contractors winning work at the right margin and not buying work, and then making profit off the supply chain. Previous experience with a main contractor where work was deliberately tendered at -5 and -10% cost. Gains were to be 5% from buying/MCD gains, 5% off re-measure and 5% off subcontractors variations, contractual mechanisms.
- Client QS's being appointed on realistic fees to afford time and resource to assess payments properly; abolish retentions; no amendments to standard form of contract payment periods
- Employers need to be held accountable and measured against the agreed payment terms within the building contract.
- Retentions should not be allowed in any contracts. 30 days should be the maximum time for payment of invoices.
- Open forum to help identify bad payers
- No opinion
- Impartial person named in all Contracts for addressing payment issues across the project say 2 weeks before payment due date and after the payment is due, to ensure all paper work is in order. For example raising purchase orders, certificates, sign offs. This in addition to suspension and right to refer to Adjudication. Many regular payment delays are just down to people not doing what they are required to do, when they should do it, often frustrating the process, then blaming some small point. No amount of drafting will sort that other than making that named person responsible for ensuring checks in place for ensuring payment up and down the line before payments are actually released.
- We generally don't have any.
- the Contractor administrator should not be paid by the Client as they become beholdng to the wishes of the client and are subsequently influenced or at the very least have a conflict of interests.
- Make sure contractors cannot certify/issue withholding notice so close to the date payment is due to be paid to sub-contractor that there is no time to discuss the certification and get payment amended. Too many contractors changing withholding notice date to date before payment date. Too many contractors not being specific enough in their certifications and not keeping to their payment terms.
- Change in culture for quicker payments across the industry
- Wider use of standard forms in everything - ambiguity and amended conditions is generally where things start to fall down. Thereafter it is about people being fair and reasonable - I can't think of any one thing that would improve matters - but as an observation and as a traditional builder with traditional values I would like to see less subcontracting and more directly employed trades so that there was a joined up process and effectively one large purse with collective ownership - the minute we subcontract, we divide, and that straight away means that priorities, focus and responsibility is not truly shared. I appreciate that tis may not be a universal position - but this is the start of where many payment issues and disputes lie.
- More transparence over amounts being paid i.e. agreement on site prior to application
- no comment
- Many years ago, Main Contractors had to show proof of payment to subcontractors before they received their next payment, this was usually nominated subcontractors. By implementing this practice for all subcontractors, payment process would be improved hugely.
- should be made standard practice for a deposit to justify the materials to be used
- Clients to pay on time

Question 24 continued:

- Faster Payment Terms
- stricter rules on payments so everyone gets the money for the works that had been completed and sooner payments terms
- Government, Councils , checking that monies is being paid , down the supply chain , timeously .
- MC's should wake up and see that the supplychain is valuable to them. They are the companies that get the MC the work. There should be more respect given. lack of respect is the key driver at present.
- Return to the old system where the client has no power in the Contract and their professional agents act appropriately under the Terms of the Contract and not be swayed/instructed by the client, who does not wish to pay.
- The suspension period should be shortened and subcontractors should be able to charge interest on contested sums withheld by MC's
- Someone should always be working within public sector finance departments, to cover sick days and holidays. We have been left waiting for payments because there isn't anyone to provide cover.
- Late Payment Act should be mandatory and not 'optional'. I.e. Late interest payments and compensation should be applied in all contracts automatically, with no legal process to remove or reduce. This is not necessarily an employer/ main client issue. It is main contractors and developers withholding payments for no reason other than to help their own cash flow, irrespective of the consequences to further down the supply chain. Smaller contractors and consultants.
- There should be reduced payment terms to 30 days max, retention released at final handover, a set time limit of 1 month to conclude all final accounts and have monies paid.
- The everyday use of payless notices this should only be used in genuine circumstances. All valuations should have a minimum 80% payment as law.
- Been working on this for 20yrs of my life, nothing ever changes. Hate to be negative but that's the reality
- Quicker responses to resolve disputes
- Stricter penalties on Main Contractors for late payment and for not passing their contract payment and retention terms on to subcontractors. Removal of all retention to be replaced with a fairer system. We currently have a project with 10% retention and some Main Contractors are asking for up to 3 years before second half of retention is released.
- Better behavior's; more interest from employers; fairer conduct by QS's



Members 2023



BUILDSCOTLAND



Further information



www.cicvforum.co.uk



info@cicvforum.org.uk