



FINISHES & INTERIORS SECTOR

FIS MANIFESTO

A BLUEPRINT FOR BETTER CONSTRUCTION

Part 1: unlocking productivity and prosperity through modern methods of procurement



thefis.org



“The finishes and interiors sector in the UK has an annual turnover of £10 billion and a workforce of around 250,000 people..”

Foreword



DELIVERING CHANGE IN THE FINISHES AND INTERIORS SECTOR

The finishes and interiors sector in the UK has an annual turnover of £10 billion and a workforce of around 250,000 people – it accounts for approximately 10% of all construction works.

The construction sector is directly responsible for 7% of GDP, employs almost 10% of people in the UK and remains instrumental for delivering the homes and buildings we need and the infrastructure that will underpin the UK's economic success.

To this end, FIS supports the Construction Products Association's calls for long term investment [Endnote 1](#), specifically the need for:

- An increase in housebuilding and support for first-time buyers
- Sufficient funding for building and product safety regulatory bodies
- Extending business rate relief on plant machinery and equipment, as well as digitalisation and building improvements.

Notwithstanding these needs, the focus of this document is identifying near and longer-term policy and procurement levers that will help deliver the intent of the Building Safety Act.

These levers address negative, adversarial behaviours that undermine collaboration, add legal costs, create mental health concerns and cause record levels of insolvency in our sector.

At the same time, the levers will support productivity and encourage investment in modernisation and people, ultimately unlocking the full potential of the sector to support the economy and net zero targets in the UK.

IAIN MCILWEE

Chief Executive Officer, FIS

UNLOCKING PRODUCTIVITY AND PROSPERITY THROUGH MODERN METHODS OF PROCUREMENT

Rethinking procurement is essential to improving safety and helping construction escape the productivity trap. Key asks are:

Responsible public sector procurement

A stronger 'Construction Playbook' with better measured outcomes.

Eliminate unreasonable risk transfer

Enforcing standard form contracts better aligned to supply chain insurance.

Improve payment practices

Revise the Construction Act to simplify payment, reform retention and extend enforcement powers.

Clarify UK construction products marking

Rules must be aligned to those for other products to support investment in new testing.



“The finishes and interiors sector turns a structure into an office, hospital, hotel, residence, school, university, retail or entertainment space.”

An introduction to the finishes and interiors sector

The finishes and interiors sector turns a structure into an office, hospital, hotel, residence, school, university, retail or entertainment space. The work is intrinsic to the safety, comfort, and productivity of all those that live, work, learn, and recuperate in a building.

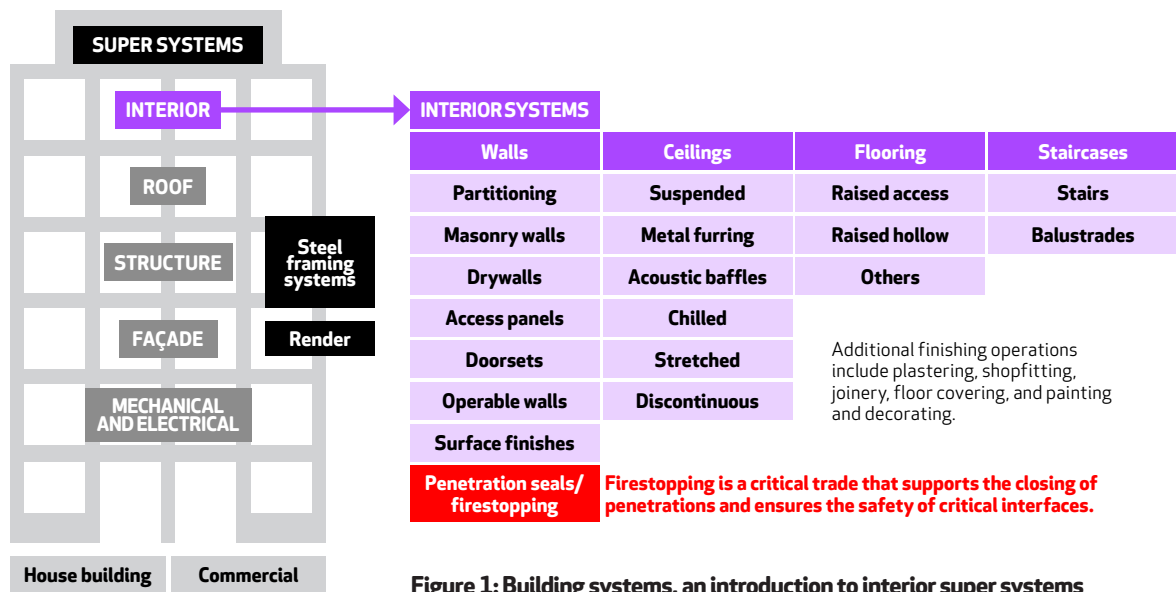
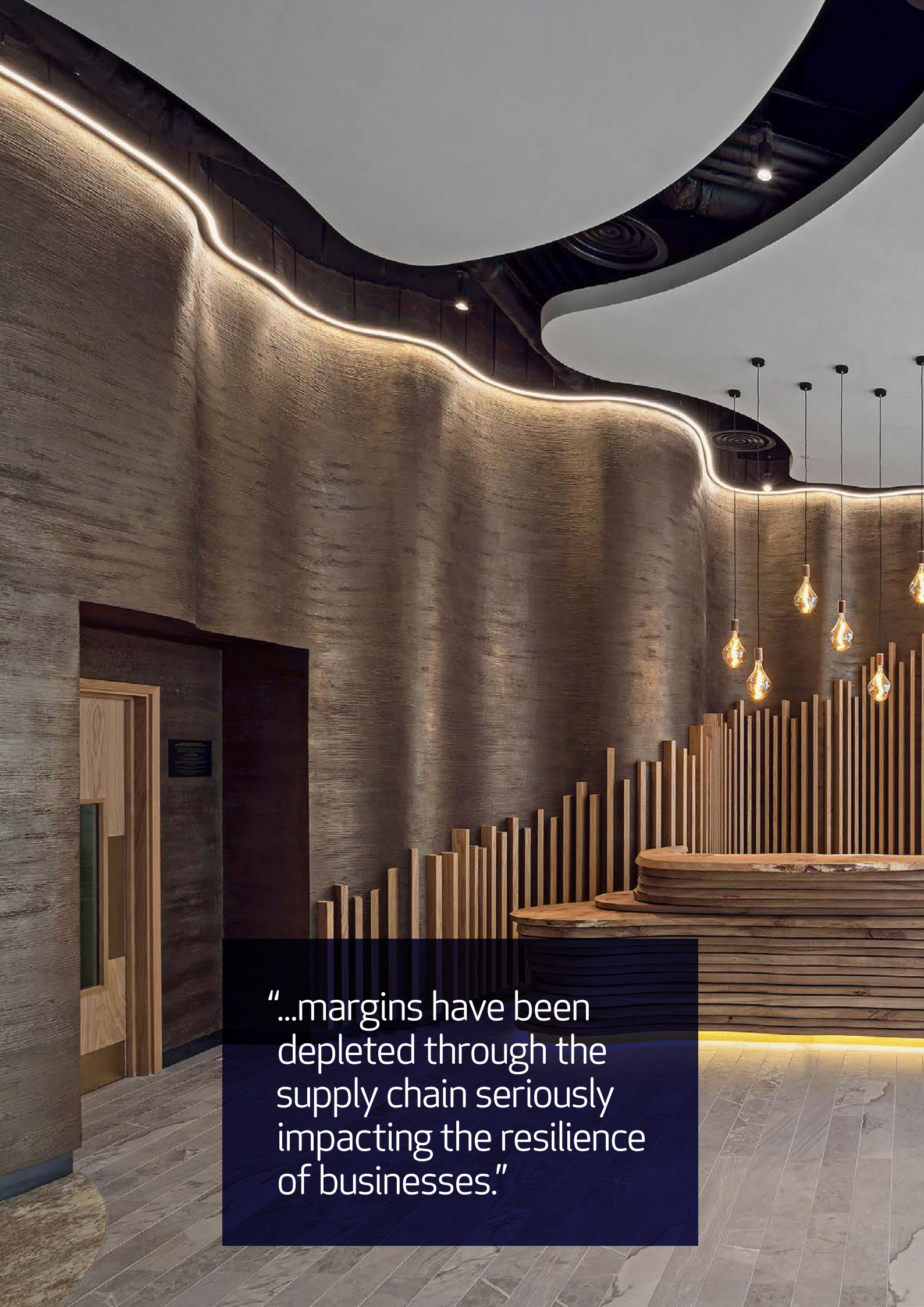


Figure 1: Building systems, an introduction to interior super systems

Buildings will often have over 30 'fit-outs', with around 80% of work carried out by the sector being refurbishment, retrofit or repurposing of existing buildings. This work ensures that buildings are preserved, enhanced or repurposed over time in response to changing requirements. The work significantly impacts the sustainable construction and performance of a building throughout its life.

The image shows a contemporary interior space with curved, textured walls. A warm, ambient light is provided by a recessed LED strip along the top of the wall and several pendant lights with exposed bulbs. In the foreground, there is a wooden bar area with a curved counter and a wall of vertical wooden slats. The floor is made of light-colored stone tiles. A dark blue semi-transparent box is overlaid on the bottom right, containing a quote.

"...margins have been depleted through the supply chain seriously impacting the resilience of businesses."

1: The current challenge

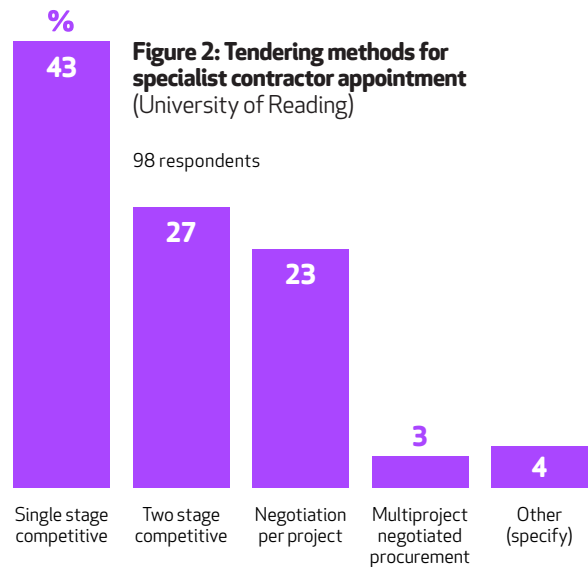
"Ingrained behaviours and practices in the current approach to procurement and contracting have a serious detrimental impact on productivity, quality, safety and ultimately undermine investment."

Professor Stuart Green
University of Reading

In 2023, FIS approached the University of Reading and AMA Research to investigate contractual and procurement processes. The focus of The Reading Report was to understand where and how behaviours are limiting the potential of the sector. ²

The key findings of this research include:

- Fit-out contractors are invariably squeezed by the accumulated failings of others. Overspends and delays from the preceding activities are too often allowed to impinge upon the circumstances within which fit-out work is delivered.
- The concept of a standard form of contract is dead, to all intents and purposes. Unreasonable risk displacement is legitimised through the routine amendment of standard form contracts and the inclusion of onerous clauses. Of key concern is the cascading of responsibility for design detailing – often in the absence of fair and appropriate recompense.
- Contractors find themselves under significant pressure to sign amended forms of contracts in the absence of any legal advice with little choice other than to accept onerous clauses if they want to secure work.
- Single staged tenders and fixed priced jobs are the norm (see figure 2). These practices, especially when combined with the contract amends, unreasonably push the risk of design or programme change and inflation onto the construction sector.
- The sector suffers from regressive practices in terms of payment and retentions. Progress in respect of fair payment practices remains hugely problematic despite the recommendations of the Latham report (1994). ³
- To invest in a directly employed workforce would render many firms uncompetitive given the limited focus on genuine and enduring collaborative relationships that procurement practices allow.
- The consequential reliance on contingent forms of labour is an issue of commercial reality rather than preference but has a detrimental impact on the training culture.
- Deposits would help to help capitalise jobs and take pressure off the supply chain but are rare. To win work, companies in the supply chain are expected to fund the first stage of virtually all jobs despite working for major developers, multinationals, institutional investors, and the Government itself. Using contractors as a line of cheap credit is unsustainable, especially when these companies are unable to secure credit in the marketplace.



1: The current challenge

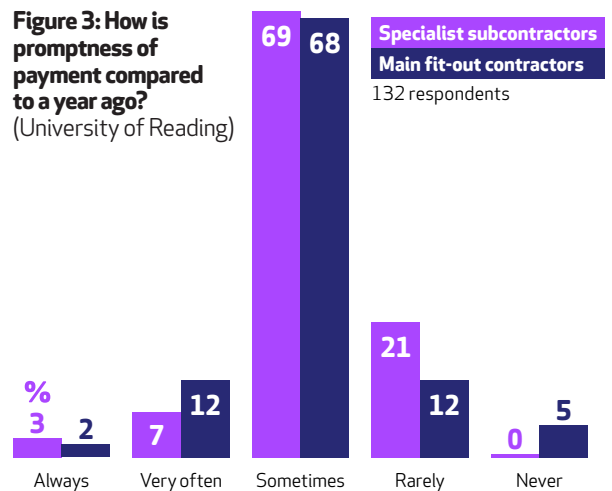
LEVELS OF INSOLVENCY ARE A SERIOUS CONCERN IN CONSTRUCTION

In the year to November 2023, 4,370 construction firms in the UK went out of business (7.0% higher than 2022 and 37.9% higher than in 2019). Exposure has been most significant amidst specialist contractors.

The lessons of the Carillion collapse have not been learned and:

- Contractors remain overly exposed to upstream failure, with many subcontractors impacted by large upstream failures.
- COVID-19 and fixed price jobs in the period of hyperinflation have depleted working capital in the sector.
- Ongoing inflation has continued to increase set-up costs. A tighter compliance regime and more complex designs require more upfront work further adding to costs.
- Uncertain economic backdrop and a regulatory overhaul causing start times to slip, deferring payment for upfront work.
- The availability of traditional credit has reduced significantly and the cost of borrowing relatively high.
- Credit insurance has become prohibitively expensive, if available at all.

Figure 3: How is promptness of payment compared to a year ago?
(University of Reading)



The Reading Report concludes that the archaic approach to contracting and procurement leaves a specialist supply chain vulnerable, and without the means and confidence to invest in training, improvement and modernisation that would better serve the future interests of the sector's clients.

Procurement reform is essential to ensure the sector can invest, evolve and modernise.



“... recommendations are, for the most part, not measured and enforced consistently. This ultimately consigns the Playbook to the status of helpful guidance that is routinely ignored.”

2: Vital levers to deliver change

MODERN METHODS OF PROCUREMENT

Construction procurement needs a reset to create a collaborative ecosystem that encourages investment in the vital skills and business improvement that will help to drive productivity, quality, safety and support economic growth.

RESPONSIBLE PUBLIC SECTOR PROCUREMENT: A STRONGER CONSTRUCTION PLAYBOOK WITH BETTER MEASURED OUTCOMES

“The industry’s customers (including Government) have an important role to play in transforming the construction process.”

Construction 2025: Industrial strategy: government and industry in partnership ⁴

Public sector procurement accounts for around 40% of all construction expenditure across the UK (higher in Scotland and Wales). It is widely recognised that Government must lead by example in setting higher standards for procurement. To this end there have been numerous attempts to drive collaboration and eradicate the worst of practices, but intent repeatedly fails to get the necessary support from procuring authorities. The latest of these is the Construction Playbook.

The Playbook lays down 14 well-intended recommendations, guidelines and policies for how works should be assessed, procured and delivered. A limitation is that the Playbook is only mandated for central government departments, their executive agencies and non-departmental public bodies. Outside of this, these recommendations are, for the most part, not measured and not enforced consistently. This ultimately consigns the Playbook to the status of helpful guidance that is routinely ignored.

UK public procurement takes 50% longer than equivalent processes in Germany. In 2018, we built 2.25 homes per 1,000 people, Germany managed 3.6, the Netherlands 3.8, and France 6.8. ⁵



“It is widely recognised that Government itself must lead by example in setting higher standards for procurement.”

2: Vital levers to deliver change

NEAR TERM LEVERS

Prioritise key enabling requirements within the Construction Playbook

Key recommendations must be drawn out and prioritised. Whilst all recommendations are important, issues around fair contracting and risk management should be given greater emphasis. These 'enablers' will unlock the early supply chain engagement that, in turn supports investment, workforce planning, digitalisation and modernisation that the Playbook purports to be championing.

PRIORITY 1

Redouble efforts to standardise risk transfer through the use of standard form contracts

The Construction Playbook advocates standardised contracts should be used to help simplify and speed up procurement procedures "save where the project or programme justifies a bespoke approach".

The reality is that contracts are seldom unamended and there is little differentiation between free-standing additions to the contract template and amendments to existing clauses. It is this latter point where problems are most profound. Complex schedules are appended to the contract with the express purpose of distorting risk. This is covered in more detail in the next section.

PRIORITY 2

Ensure money flows through the supply chain

There is a need for a greater emphasis on transparency and speed of payments through the supply chain. By way of example Project Bank Accounts (PBAs) and digital payment tools help to remove temptation to build working capital at the expense of the often vulnerable SME businesses in the supply chain.

These transparent payment options support delivery of attempts by Government to open out the supply chain and encourage SMEs. They reduce credit risk and facilitate focus on wider risk management. They also allow clients to rethink how deposits can be deployed to support the supply chain in an open and transparent manner.

The Construction Playbook, currently recommends: "As per Cabinet Office payment policy, PBAs are not always suitable, but should be used unless there are compelling reasons not to."

Despite this recommendation, beyond a small proportion of centrally procured projects, adoption of PBAs has gained little traction.

The lack of guidance on "compelling reasons not to" and limited attempts to curate "compelling reasons" means that PBAs remain under-utilised. The phrasing in the Playbook is negative and outdated, with digital tools available to overcome many of the historic challenges.

2: Vital levers to deliver change

Arguments against are based on cost and bureaucracy, however, the cost of credit, credit control, payment disputes, company failure and the negative impact on relationships inherent in the existing system must be set against this.

Wording in the Playbook needs to be revised to read as follows:

“PBAs should be used, and reassurances made that these have adequately been cascaded through the supply chain unless equivalent protections are afforded (such as surety bonds or alternative automatic digital payment tools).

In exceptional circumstances, if PBAs are not used (or if it is identified that a significant proportion of the extended supply chain have “opted-out”) reasons should be collated on a centrally published database available for public scrutiny.”

“... limited attempts to curate “compelling reasons” means that PBAs remain under-utilised.”

What are PBAs?

PBAs are ring-fenced accounts which see payments made directly and simultaneously (when supported by digital tools) by a public sector client to members of the construction supply chain.

They are designed to improve the release of money through the supply chain, removing incentives to withhold payments and release of retention. PBAs significantly reduce credit risk protect the supply chain from upstream failure. They also provide mechanisms to capitalise work (via transparent and secured deposits).

PRIORITY 3

Conflict avoidance

The Construction Playbook needs to do more to address adversarial culture. Conflict avoidance mechanisms should be a pre-requisite for all standard contracts adopted by Government. By way of example, the Conflict Avoidance Process (CAP), developed by the Royal Institution of Chartered Surveyors (RICS) and endorsed by the Construction Leadership Council (CLC), provides a contractual mechanism to help parties to avoid getting embroiled in prolonged and damaging disputes.

Where disagreements begin to develop, CAP enables parties to address and resolve matters early, collaboratively, and inexpensively. Embedding measures such as this will not only help to reduce the cost of dispute, encourage better, more sustainable, supply chain relationships and improve mental health and support cultural reform in construction.

2: Vital levers to deliver change

Consistent and dynamic measurement of current requirements

There have been no meaningful attempts to measure impact or even report instances where the guidelines in the Construction Playbook have not been followed.

Measurement and accountability are key to ensuring the Playbook is effective. A positive example here is Business Payment Practices and Performance: Reporting Requirements. Whilst these requirements haven't fixed the problem, they have driven a 'league table' approach and allowed for some measurement and therefore scrutiny of behaviour. FIS is optimistic that announcements to tighten in the Autumn Statement 2023 will help to drive positive change. Unfortunately reporting mechanisms do not extend to requirements in the Playbook.

All authorities need to be compelled to report on key tendering expectations (transparently) in the Playbook to help ensure that we are encouraging positive behaviours through the supply chain across the UK.

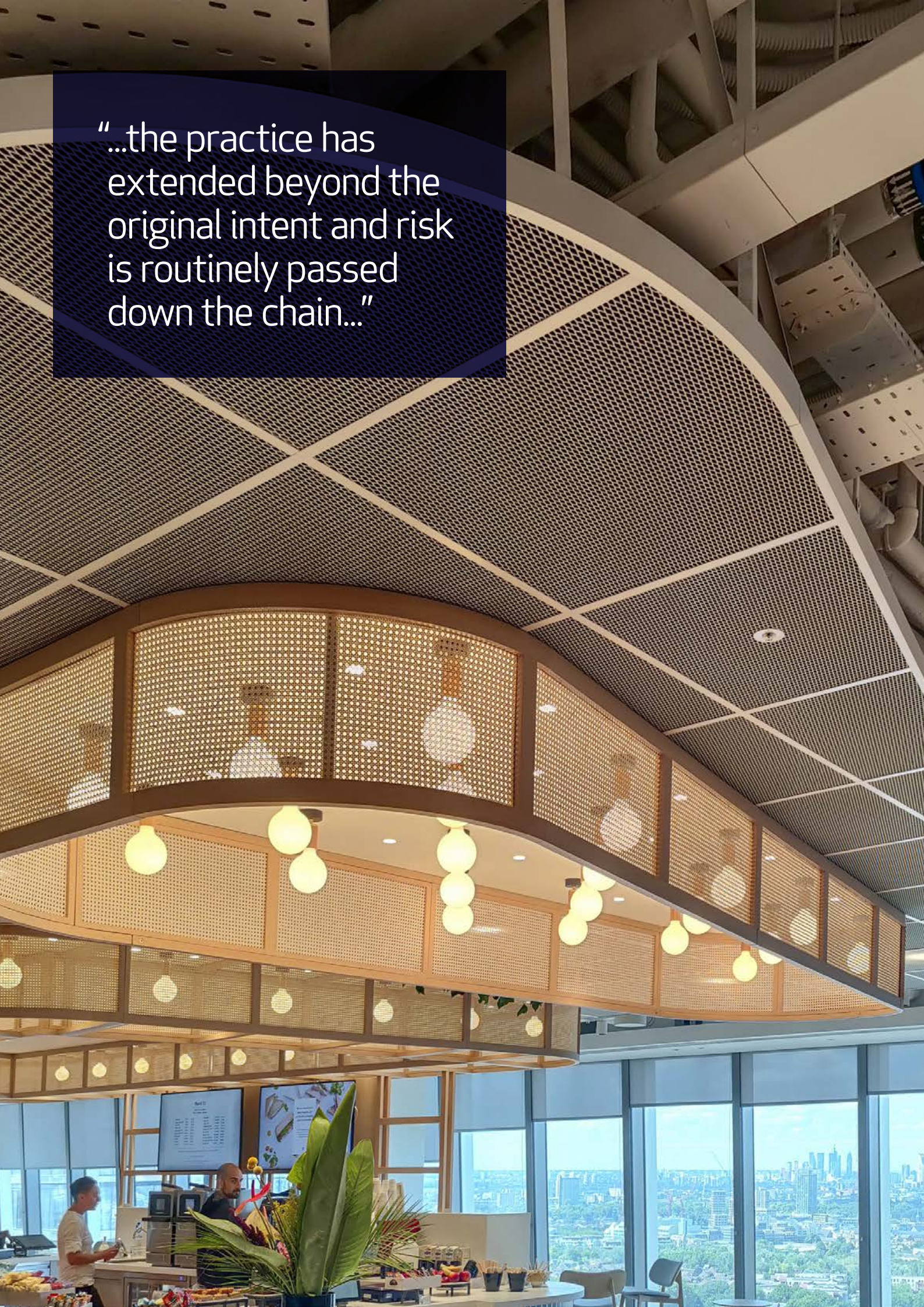
LONGER TERM LEVERS

The Procurement Act must do more to enforce better measurement and uptake of the Construction Sector Playbook

The Procurement Act 2023 ⁶ focuses on the ecosystem and longer-term impacts of procurement. The aim is to shift away from a fixation on initial cost to wider measures of value. However, it is far reaching and does not adequately recognise the complexities in the construction sector. SMEs in the construction supply chain are more vulnerable to payment due to the relative scale of projects to the company turnover.

The Act needs to be supported by secondary legislation to mandate adoption of key requirements in the Construction Playbook for all those procuring on behalf of the public sector (in any capacity at a national or local level). Reporting in exceptional cases where the guidelines are not followed should be standardised, transparent and publicly scrutinised. The oversight of this should be managed via an expanded Infrastructure and Projects Authority that supports a long-term focus on the ecosystem for all public sector procurement of construction projects.

"...the practice has extended beyond the original intent and risk is routinely passed down the chain..."



3: Eliminate unreasonable risk transfer

ENFORCING STANDARD FORM CONTRACTS BETTER ALIGNED TO SUPPLY CHAIN INSURANCE

“The use of non-standard forms of contract should be banned. The Construction Act should be amended and aligned with the principles of the Building Safety Act to prevent indiscriminate risk dumping. The key driver is to ensure clarity in the allocation of design responsibility.”

Professor Stuart Green
Procurement in the UK Fit-out Sector
The University of Reading ²

In 1931, the construction industry formed the Joint Contracts Tribunal (JCT) to recognise the importance of fair apportionment of risk - Standard Form Contracts were developed (others are now available). Despite significant industry resource invested in the concept, they are seldom utilised without amendment (see Figure 4).

While it is recognised that the contracts need to be adapted to include project particulars, the practice has extended beyond the original intent and risk is routinely passed down the chain through complex schedules of amendment (often as long as the contract itself). The ultimate impact is confusion in terms of design responsibility, unreasonable reallocation of programme or inflation risk and inflated legal costs.

While individuals are not oblivious to the confusion and collateral damage to the supply chain, the practice has worsened in recent years.

Design risk is perhaps the most serious concern. Figure 5 shows that only 22% of specialist subcontractors are never required to take design responsibility. This

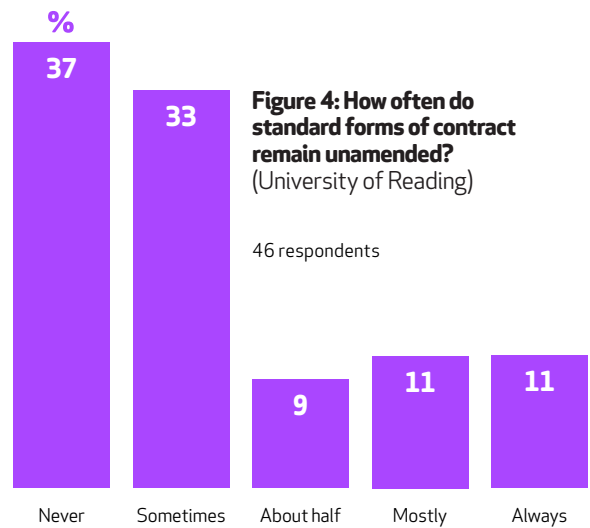


Figure 4: How often do standard forms of contract remain unamended?
(University of Reading)

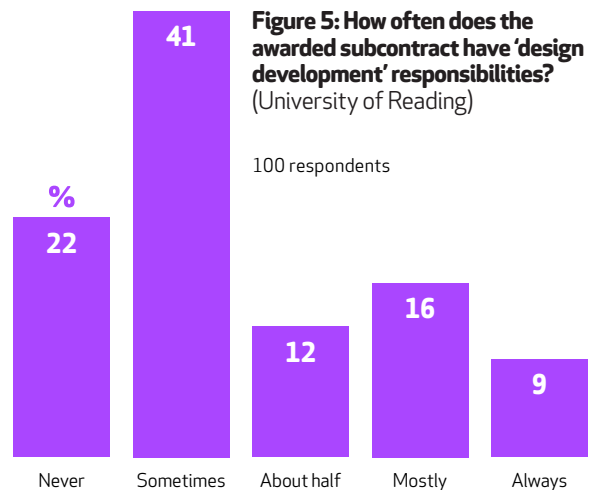


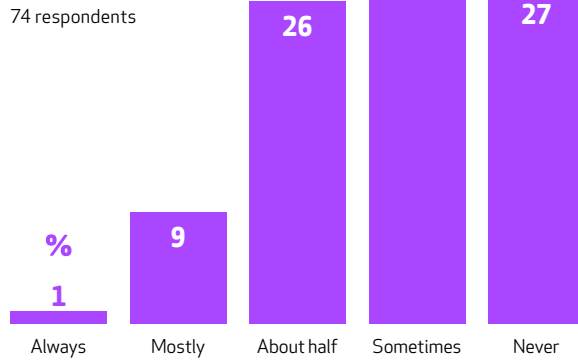
Figure 5: How often does the awarded subcontractor have 'design development' responsibilities?
(University of Reading)

is particularly worrying when we see the lack of upstream accountability in approving design changes evident in Figure 6. Unless these issues are adequately addressed many businesses, buildings and projects will not be adequately insured.

This reallocation of risk is in contradiction to the intent of aligning the Construction Design and Management (CDM) Regulations to the Building Regulations through the Building Safety Act. Regulation requires the “client to make suitable arrangements for managing a project, including the allocation of sufficient time and other resources”. ⁷

3: Eliminate unreasonable risk transfer

Figure 6: How often do you get design approval within the contractual time limit (typically 14 days)? (University of Reading)



This means better information management and ensuring that risk is managed in the right place, not simply based on who will accept it.

NEAR TERM LEVERS

The Construction Leadership Council (CLC) must take a stronger line on the unamended of standard form contract

The Playbook needs to be stricter on risk apportionment

The Playbook needs to link more clearly the impact of contract selection and amendment on the insurability of businesses and projects.

To ensure risk transfer is unambiguous, the principles set down for developing a Design Responsibility Matrix in the RIBA Plan of Works ⁸ need to be emphasised and form a key part of the contractual suite.

The design responsibility matrix should be signed by any party listed to ensure that they understand the extent of any design allocation and that they have the competency to abdicate it.

Risks associated with delays should also be proportionate to the contract value, never uncapped or unchecked, this should be a core requirement of all public sector procurement. Currently the Construction Playbook is virtually silent on insurance. The reality is that ambiguity and misalignment of insurance extends the risk to all parties. As it is currently managed, professional indemnity insurance is a failing product. There are gaping holes and significant duplication of what is covered and little of it aligns effectively with supply chain warranties.

The construction sector spends 1.6% of turnover on legal fees, almost double the industrial norm in the UK. This does not consider the even higher proportion of less formal disputes ⁹ that constantly serve to undermine trust between contacting parties.

Where the public sector has direct control, it can make immediate impact by the better measurement and enforcement of existing requirements to “standardise contracts and terms”. However, CLC could also do more to encourage best practice in the private sector. Here, pressure should be brought to bear on the authors of standard form contracts.

Contracts should open with a standard statement that advises robustly against risk transfer in any amendment and clarity around the difference between free-standing additions to the contract template and any attempt to distort risk that could render the project and businesses delivering it uninsurable.

If any amendment is made it should be restricted to the body of the contract and the intent clearly explained (in plain English), not through additional schedules of amendment. The requirement to clarify the implication in

3: Eliminate unreasonable risk transfer

terms of risk and insurance expectation should be communicated through the supply chain. Any risk transfer should be aligned to a contract review process that ensures all parties understand risks.

LONGER TERM LEVERS

Liability should be capped to prevent unreasonable transfer of risk

Lessons can be taken from the work that the Office of Government Procurement has done in Ireland. A standard form of contract is recommended while a 'default' cap on liability of €1.5m has been introduced. This is a sensible level which most consultants and contractors can be expected to fund (via insurance) over the medium to long term.

A shift to insurance products aligned to project rather than individual businesses

The Playbook could do more to support a move to Integrated Project Insurance (IPI), which would be advantageous to many through the supply chain. Whilst it references New models of construction procurement, it remains silent on the potential benefits. ¹⁰

IPI has a more robust procurement and delivery process that is aligned to an innovative, blame-free insurance product. This collectively ensures that the client and all the other project partners, driving collaboration and ensuring risks are shared fairly and more carefully managed. "IPI brings game-changing innovations and benefits to all who adopt it." ¹¹

Most arguments made against IPI largely centre on the need to engage the supply chain earlier and this not suiting existing procurement methodology. There is also a perception of more upfront costs, but these will be more than offset by efficiency improvements, error reduction and fewer disputes. These are the very issues that are key to unlocking transformation in the sector.

"...upfront costs will be more than offset by efficiency, error reduction and less disputes."



“A company is highly vulnerable to credit being withdrawn or an upstream failure related to events beyond its control.”

4: Improve payment

REVISE THE CONSTRUCTION ACT TO SIMPLIFY PAYMENT, REFORM RETENTION AND EXTEND ENFORCEMENT POWERS

Despite payment expectations laid down in The Housing Grants, Construction and Regeneration Act 1996 (commonly referred to as The Construction Act), payment and retention practices remain archaic in the sector (see figures 7 and 8).

Through the supply chain there is a constant struggle to maintain sufficient working capital. Even in the case of 45-day terms (demanded in the latest Late Payment Rules), this will typically mean (when factoring in the application dates) that specialist is expected to fund 75-90 days of preliminaries, labour and materials.

For many SMEs this is offset by using credit from suppliers as well as charge or credit cards (providing an additional 30 days on materials). Labour is typically paid weekly. A company is highly vulnerable to credit being withdrawn or an upstream failure related to events beyond its control.

Figure 7: Over the last year, how long does it take to get paid after initial application? (University of Reading)

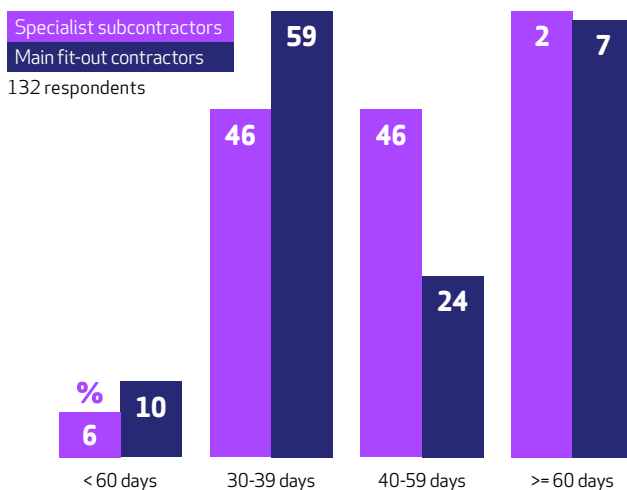
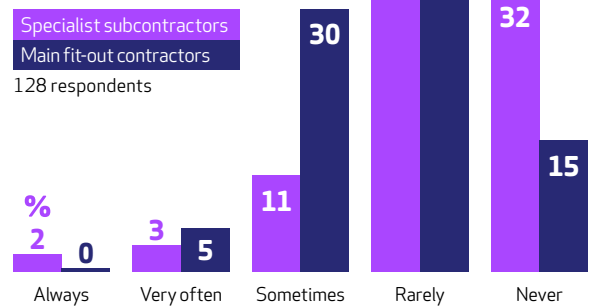


Figure 8: Release of retention monies - how often are these automatically released at the contractually agreed time? (University of Reading)



Late payments, disputes (often thinly masked delaying tactics such as issuing spurious pay less notices), and failure to release retention monies all exacerbate credit issues - driven by a need to maintain the balance sheet for survival or reporting purposes.

The approach to capitalisation in a tight credit environment drains the supply chain of much needed working capital and ultimately the means to invest in transformation. Company failure and mental health challenges are all a direct result of these behaviours.

NEAR TERM LEVERS

More robust enforcement of the duty to report legislation

Improvements to the Payment Practices and Performance (Amendment) Regulations announced in Autumn 2023 are positive, but need to be backed by effective enforcement.

To date there has been no enforcement of the duty to report, and the Prompt Payment Code has not been backed with sufficient resources to deliver the intended changes. The Office of the Small Business Commissioner needs more authority and resource to support effective enforcement.

4: Improve payment

LONGER TERM LEVERS

Reform of the Construction Act is required

The process surrounding application, due dates and pay less notices needs to be simplified to ensure that they cannot be abused. Drawing on international comparisons, the Irish Construction Contracts Act provides for a 30-day payment period from the date at which the payment claim is submitted. This is far simpler than the 'due date' referenced in the UK Construction Act, which relies on supplementary information in the contract that can be distorted. There is also less room within the Irish legislation to extend payment terms in a subcontract agreement.

New EU regulations require compulsory interest payments to be automatically applied to late payment and accrued until payment of the debt. This makes non-payment a liability as opposed to an enforcement right that an embattled supply chain is disinclined to impose.

The Construction Act should be amended to ensure retentions are automatically released at the defined date. They should not require additional applications from contractors or relate to dates that are not explicitly related to the completion of their works. Equally, retention money should be held in trust; it cannot be forgotten that Carillion wiped out £700m of retentions held against the supply chain. Consideration should be given to replicating the recent developments in New Zealand where it has been legislated that retentions are held in trust (see Appendix A). Where Collateral Warranties are held, retentions should be immediately and automatically returned.

The process and cost of adjudication also needs to be considered. Costs will be eased by greater clarity in the Act on payments and better use of standard contracts. Adjudication decisions should be binding to help avoid costly legal costs.

THE HOUSING GRANTS, CONSTRUCTION AND REGENERATION ACT 1996

Provisions intended to ensure that payments are made regularly and promptly throughout the supply chain. The Act requires the contract to set out an adequate mechanism for determining what payments are due, these include:

- The right to be paid in interim, periodic or stage payments.
- The right to suspend (or part suspend) performance for non-payment and to claim costs and expenses incurred and extension of time resulting from the suspension.
- "Pay when paid" certified clauses are not allowed, and the release of retention cannot be prevented by conditions within another contract.
- The Payer must issue a Payment Notice (Application) within five days of the due date for payment, even if no amount is due. The Payer is then entitled to issue a Pay Less notice if they intend to pay less than the amount set out in the Payment notice.



“We need a regulatory environment that encourages new products aimed at achieving higher standards in building safety.”

5: Clarify construction products marking

RULES MUST BE ALIGNED TO THOSE FOR OTHER PRODUCTS TO SUPPORT INVESTMENT IN NEW TESTING

According to data from the Construction Products Association, over 75% of all construction products used in the UK are made in the UK.

The changes outlined support innovation in the construction process, which in turn supports innovation of construction products. This process adds to the export potential of UK construction products as well as driving improvements in the supply chain.

Outstanding Brexit issues, particularly around UKCA marking, testing and regulatory divergence, mean that UK manufacturers are disadvantaged against EU competitors, with all manufacturers facing unwarranted compliance costs and complexities.

Government announced at the end of 2022 that the deadline for ending recognition of the CE mark and moving to the UK alternative has been extended to 30 June 2025. Another announcement followed in 2023 from the Department of Business and Trade that signalled Government's intention to extend recognition of the CE mark indefinitely for the majority of goods. These announcements do not include construction products.

Subsequent announcements in 2024 have seen new product groups (vacuum cleaners, mobile phones, toys and demolition explosives) able to rely "indefinitely" on European safety marks to be sold in the UK. This announcement did not include construction products, which are listed as having to meet separate rules. In many instances products will need to be retested.

This complexity is creating barriers to growth, innovation and investment with money deployed to retest to support existing performance declarations rather than to develop and innovate. Construction product manufacturers require a smoother, less costly regulatory framework for trading with the EU to free up money to invest. We need a regulatory environment that encourages new products aimed at achieving higher standards in building safety. The ongoing ambiguity represents a major disincentive to investment.

NEAR TERM LEVERS

UK construction products marking rules need clarity

UKCA marking, testing and regulatory divergence for construction products needs to be addressed aligned to CE marking. The emerging complexity is creating barriers to growth and investment.

LONGER TERM LEVERS

Investment incentives are required to stimulate innovation

A clearer strategy to support research and innovation in advanced manufacturing, as well as the digitalisation of construction is needed. The government should increase funding for research and development programmes aimed at fostering innovative manufacturing processes and products. Investment in digital innovation for our industry, such as facilitating interoperable information exchange and ensuring construction products are digitally traceable, will help improve productivity and drive higher standards for building safety.

Coming soon

FIS MANIFESTO PART 2: DELIVERING SKILLED JOBS ACROSS THE UK

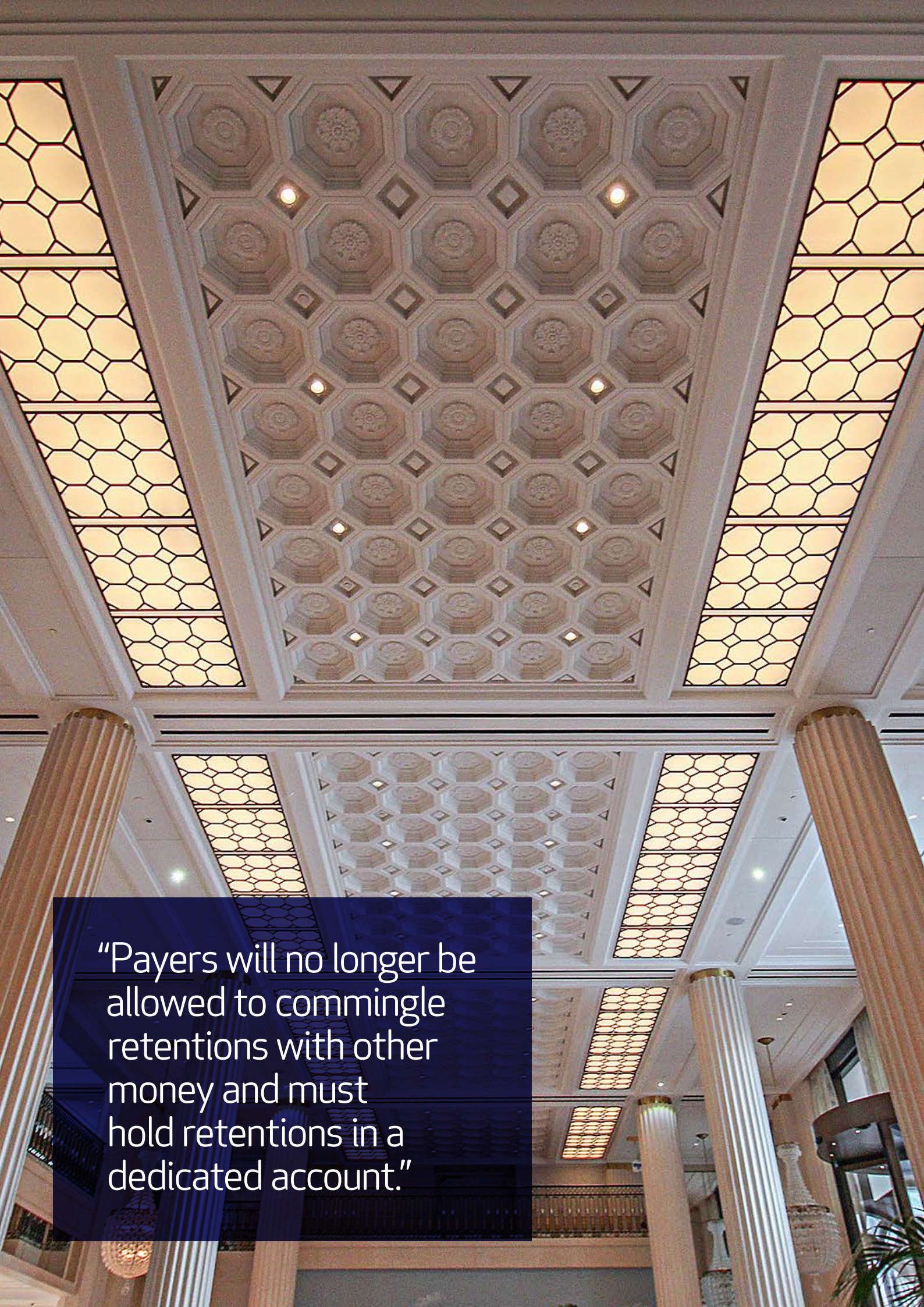
Reforming the training landscape can unlock our ability to invest in people, deliver rewarding careers and ensure the industry plays its part in socioeconomic reform.

- Reform secondary education to ensure vocational skills are embedded and value presented in a structured approach to career guidance.
- Simplify apprenticeships with a more nuanced sector-based approach to better align to employer needs.
- Establish a controlled and consistent approach to immigration policy.

FIS MANIFESTO PART 3: DRIVING NET ZERO

A legislative 'stick' and better measured procurement incentives will ensure that the UK meets legally binding Net Zero targets.

- A joined-up approach and holistic, consistent national approach to social value policies.
- Rewarding investment and better asset management through tax credits and business rates.
- Aligning embodied carbon regulation to EU Construction Products Regulations.



"Payers will no longer be allowed to commingle retentions with other money and must hold retentions in a dedicated account."

Appendix A - ending retention malpractice

CASE STUDY: NEW ZEALAND

The Construction Contracts (Retention Money) Amendment Act protects retentions monies in the event of insolvency.

Key changes introduced by the Amendment Act are:

Automatic trust

Retentions will now be automatically deemed to be held on trust as soon as an amount becomes retention money, regardless of any payment or other steps taken. Taking steps to create a trust will no longer be necessary. A trust will be deemed when a construction contract allows a payer to withhold payment of an amount to a payee.

Retentions account

Retention money will be required to be held separately from other monies or assets. Payers will no longer be allowed to commingle retentions with other money and must hold retentions in a dedicated account.

Use of retentions

The Amendment Act confirms that it is acceptable to use retention money to remedy defects caused by the payee's failure to comply with its obligations set out in the commercial construction contract. However, this is only the case if the contract permits this use of retentions and all relevant procedure set out in the contract is followed. The party intending to use retentions for this purpose must also give the other party at least ten working days written notice prior to use, outlining the details of defects to be remedied and the intended use of retention money for that purpose.

Reporting obligations

A retentions holder will continue to be required to ensure proper accounting records are kept. Offence/penalties: A failure to keep and use retention money in accordance with the Amendment Act will now be an offence with fines levied of the business and the directors if the requirements are not met.

Appendix B - Endnotes

1 < CLICK TO GO BACK

Construction Product Association's 'Our Priorities for the Next Government'
[constructionproducts.org.uk/publications/corporate-and-industrial/our-priorities-for-the-next-government/](https://www.constructionproducts.org.uk/publications/corporate-and-industrial/our-priorities-for-the-next-government/)

2

Procurement in the UK Fit-out Sector, The University of Reading
thefis.org/2023/02/27/procurement-research/

3

Latham Report 1994
[constructingexcellence.org.uk/constructing-the-team-the-latham-report/](https://www.constructingexcellence.org.uk/constructing-the-team-the-latham-report/)

4

Construction 2025: Industrial Strategy: government and industry in partnership
assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/210099/bis-13-955-construction-2025-industrial-strategy.pdf

5

Shaping the future of construction, a breakthrough in mindset and technology, World Economic Forum
[thefis.org/wef_shaping_the_future_of_construction_full_report_/_/](https://thefis.org/wef_shaping_the_future_of_construction_full_report_/)

6

Procurement Act 2023
legislation.gov.uk/ukpga/2023/54/contents/enacted

7

The Construction (Design and Management) Regulations 2015
legislation.gov.uk/uksi/2015/51/part/2/made?view=plain

8

RIBA Plan of Work
[architecture.com/knowledge-and-resources/resources-landing-page/riba-plan-of-work](https://www.architecture.com/knowledge-and-resources/resources-landing-page/riba-plan-of-work)

9

Fine margins: delivering financial sustainability in UK construction, CBI
[cbi.org.uk/articles/fine-margins-delivering-financial-sustainability-in-uk-construction-bv/](https://www.cbi.org.uk/articles/fine-margins-delivering-financial-sustainability-in-uk-construction-bv/)

10

Guidance from the Cabinet Office published in 2014 that looks at collaborative models of construction procurement and within this advocates Integrated Project Insurance
[gov.uk/government/publications/new-models-of-construction-procurement-introduction](https://www.gov.uk/government/publications/new-models-of-construction-procurement-introduction)

11

Integrated Project Insurance
[gov.uk/government/publications/integrated-project-insurance](https://www.gov.uk/government/publications/integrated-project-insurance)



FINISHES & INTERIORS SECTOR

Finishes and Interiors Sector (FIS) is the representative body for the £10 billion finishes and interiors sector in the UK. FIS has around 600 members drawn from contractors, manufacturers and distributors of ceilings, steel framing systems, partitions, operable walls, plastering, drylining, and specialist interior fit-out and refurbishment businesses.

FIS exists to support its members, improve safety, minimise risk, enhance productivity and drive innovation in the sector. As well as specialist publications, technical support and expert helplines, FIS represents a dynamic network that brings the sector together through a range of events, awards and specialist working groups, all aimed at sharing best practice, setting standards and advising Government, that help its members to improve performance and win work. Members of FIS are subject to a vetting process when they join, and again every three years, that underpins the values by which the organisation operates. To drive quality and ensure the future sustainability of the sector, FIS has a dedicated skills and training team and works with Approved Training Providers to attract new people to the sector and deliver a fully qualified and competent workforce.

FIS is dedicated to collaboration in construction and a proud member of Build UK, the Construction Products Association, the Construction Industry Collective Voice and the Passive Fire Knowledge Group.

“FIS exists to support its members, improve safety, minimise risk, enhance productivity and drive innovation in the sector.”



FINISHES & INTERIORS SECTOR

FIS MANIFESTO

A BLUEPRINT FOR BETTER CONSTRUCTION

Part 1: unlocking productivity and prosperity through modern methods of procurement



FIS
Olton Bridge
245 Warwick Road
Solihull
West Midlands
B92 7AH

+44(0)121 707 0077
info@thefis.org
thefis.org