

More protection for subcontractors through the retention money regime

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Based on feedback from the sector, changes to the retention money regime are underway giving more protection to subcontractors, improving compliance and ensuring requirements for the retention money regime are met.

In 2019, the Ministry of Business, Innovation and Employment (MBIE) commissioned KPMG to undertake an implementation review of the retention money regime under the Construction Contracts Act 2002 (CCA), to assess its early impacts and the industry's response to the retention money regime.

[Review of retention money provisions \[PDF 1.3MB\] \(https://www.building.govt.nz/assets/Uploads/projects-and-consents/retention-money-provisions.pdf\)](https://www.building.govt.nz/assets/Uploads/projects-and-consents/retention-money-provisions.pdf)

The review noted there are some issues with non-compliance and opportunities to further protect retention money owed to subcontractors. The report's findings raised some concerns around the lack of penalties, the co-mingling of retentions money with other funds and the need for greater clarity of requirements for holding money on trust under the Construction Contracts Act 2002.

After engaging with the sector on how to improve the retention money regime, the Minister for Building and Construction announced changes to the regime in May 2020.

[Read the full media release on beehive.govt.nz \(https://www.beehive.govt.nz/release/govt-delivers-security-construction-subcontractors\)](https://www.beehive.govt.nz/release/govt-delivers-security-construction-subcontractors).

Changes to the regime will clarify and strengthen existing legislative requirements, protecting small and medium subcontractors. The changes will:

- strengthen and clarify the existing trust requirement for retention money
- improve the transparency of retention money
- introduce new offences and penalties to prevent non-compliance of the regime.

The changes to the retention money regime supports the objectives outlined in the Construction Sector Accord, a shared commitment between government and industry to transform the construction sector. Under the Accord, there is an expectation that all accord members comply with the retention money regime; hold retention money separately and proactively share information on their accounts with subcontractors.

For more information on the Construction Sector Accord, please visit [constructionaccord.nz \(https://www.constructionaccord.nz/\)](https://www.constructionaccord.nz/)

For more information on the retention money regime, please visit the [Construction Contracts Act 2002 page \(https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/construction-contracts-act-2002/\)](https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/construction-contracts-act-2002/).