
The following amendments to the General Conditions of Contract are necessary to accommodate the changes to the Housing Grants, Construction and Regeneration Act 1996 as set out in Part 8 of the Local Democracy, Economic Development and Construction Act 2009. Those changes are due to come into effect on 1st October 2011 and will apply to all construction contracts made after that date.

Those who are planning to enter into a contract on or after 1st October 2011 based on the IChemE Red Book 4th Edition should ensure that the following amendments are incorporated in the contract.

1. Definition of terms

   Add the following:

   ‘Final Date for Payment’ has the meaning set out in Sub-clause 39.5.

7. Statutory and other obligations

   7.4 In Sub-clause 7.4, line 6, delete “39.10” and insert “39.14”.

39. Payment

   Replace the whole of Clause 39 with the following:

   39.1 The Purchaser shall pay the Contractor the Contract Price in instalments as provided in Schedule 19 (Terms of payment).

   39.2 If any instalment is to be paid upon the completion of a specified task or milestone, the Contractor shall only be entitled to apply for payment for that instalment when he can provide evidence of completion of the task or milestone as stated in Schedule 19.

   39.3 The Contractor shall submit a request for payment to the Project Manager at intervals of not less than one calendar month showing:

   (a) the Contractor’s assessment of the amount to be paid for Works carried out up to the end of the period for which it is submitted, together with any other scheduled payment as may have become payable;

   plus

   (b) the amounts to which the Contractor considers himself entitled in connection with all other matters for which provision is made under the Contract.
less

(c) the total of all sums previously certified by the Project Manager for payment.

The Contractor's request for payment shall be supported by all relevant documentary evidence appropriately itemised.

The Contractor's final request for payment shall state that it is his final request for payment.

39.4 Within fourteen days of the receipt of an interim request for payment, or in the case of the final request for payment within fifty-six days of its receipt, the Project Manager shall issue a certificate to the Contractor and the Purchaser for the instalment to which the request for payment relates. The certificate shall show the sum which the Project Manager considers to be due at the payment due date determined in accordance with Sub-clause 39.5, and the basis on which it has been calculated. The total certified shall comprise all sums listed in the Contractor's request for payment which, in the opinion of the Project Manager, are properly payable under the Contract and shall show separately any elements within the sums certified in respect of nominated Subcontractors. The Project Manager may in any certificate delete, correct or modify any sum previously certified by him as he shall consider proper.

39.5 Any sum certified and notified as due in accordance with Sub-clause 39.4 shall be due for payment fourteen days (or fifty-six days in the case of the final request for payment) after the date of receipt by the Project Manager of the Contractor's request for payment in accordance with Sub-clause 39.3. The Purchaser shall pay the amount so notified by a date (the Final Date for Payment) which shall be twenty-eight days (or seventy days in the case of the final request for payment) after the date of receipt by the Project Manager of the Contractor's request for payment in accordance with Sub-clause 39.3.

39.6 If for any reason the Purchaser, or the Project Manager on his behalf, fails to notify the sum due in accordance with Sub-clause 39.4 by the payment due date determined in accordance with Sub-clause 39.5 the sum notified by the Contractor in his request for payment in accordance with Sub-clause 39.3 shall be due for payment by the Final Date for Payment.

39.7 If the Purchaser intends to pay less than the sum due in accordance with Sub-clause 39.4 or 39.6 for any reason including but not limited to sums that may be due from the Contractor to the Purchaser under the Contract, the Purchaser shall give notice to the Contractor not later than one day before the Final Date for Payment, specifying the amount he considers to be due on the date the notice is given and the basis on which that sum is calculated.

39.8 If the Purchaser does not make payment in full by the Final Date for Payment of the amount of an instalment:

(a) certified and notified in accordance with Sub-clause 39.5; or

(b) where applicable in accordance with a notice issued under Sub-clause 39.7; or

(c) where applicable in accordance with Sub-clause 39.6;

or if either party does not make any payment due under any other provision of the Contract by the Final Date for Payment the amount not paid shall bear interest compounded daily from the Final Date for Payment until the amount not paid is received by the other party at an annual rate which is two per cent above the Agreed Rate for the first month of delay. The annual rate of interest shall be increased by a further two per cent at the end of each further month of delay, up to the end of the third month. If the delay exceeds three months the annual rate of interest shall thereafter be ten per cent above the Agreed Rate.

39.9 If the Purchaser does not make payment in full by the Final Date for Payment of the amount of an instalment:

(a) certified and notified in accordance with Sub-clause 39.5; or
(b) where applicable in accordance with a notice issued under Sub-clause 39.7; or

(c) where applicable in accordance with Sub-clause 39.6;

the Contractor may give the Purchaser notice of his intention to suspend performance of any or all of his obligations under the Contract. If such failure shall continue for seven days after the giving of such notice, then at any time thereafter and provided such failure is still continuing, the Contractor may suspend further performance of any or all as applicable of his obligations under the Contract until payment is made.

The Project Manager shall determine by means of a Variation Order an extension to the Approved Programme and appropriate dates in Schedule 11 (Times of completion) for the full period of suspension plus any reasonable additional time incurred by the Contractor in resuming his obligations and those of his Subcontractors. If the Contractor incurs additional Cost as a result of such suspension and subsequent resumption he shall be entitled to an increase in the Contract Price determined in accordance with Clause 18 (Claims).

39.10 If the suspension of performance of any, but not all, of the Contractor’s obligations in accordance with Sub-clause 39.9 continues for a period of sixty days the Contractor at any time thereafter may with immediate effect notify the Purchaser that such obligation is excluded from the Contract. Thereafter the Project Manager shall by means of a Variation Order confirm the exclusion together with the applicable change in the Contract Price.

If the suspension of performance of all of the Contractor’s obligations in accordance with Sub-clause 39.9 continues for a period of sixty days the Contractor at any time thereafter may with immediate effect terminate his employment under the Contract by notice to the Purchaser copied to the Project Manager and thereupon the rights and obligations of the parties shall be as stated in Clause 42 (Termination by the Purchaser for convenience).

39.11 If the amount of a payment which is:

(a) notified in accordance with Sub-clause 39.4 (and no notice is given by the Purchaser under Sub-clause 39.7 in respect of such payment); or

(b) stated in a notice given by the Purchaser under Sub-clause 39.7

is referred to an adjudicator appointed in accordance with Clause 46 (Adjudication) and if the decision of the adjudicator as to the amount which is to be paid by the Purchaser is that more shall be paid than the amount stated as in (a) or (b) as applicable, the additional amount shall be paid not later than:

(i) seven days from the date of the adjudicator’s decision; or

(ii) the Final Date for Payment

whichever is the later.

39.12 The Purchaser and the Project Manager shall have the right at any time until three hundred and sixty-five days after the date of the last Final Certificate to carry out audits of the contemporary records referred to in Sub-clause 18.1 and to have such audits carried out by an auditing firm appointed by the Purchaser. Such audit shall not extend to the make-up of any fixed or unit rate or price.

39.13 If as a result of any audit in accordance with Sub-clause 39.12 or otherwise an error is discovered in the amount paid to the Contractor then such error shall be corrected in the next payment due under the Contract.

If such error is discovered following the making of the last payment to be certified by the Project Manager, the finding of the error shall be notified by one party to the other party as soon as possible. The amount to be paid to or from the Contractor shall, if notification is not challenged within twenty-eight days, become due for payment twenty-eight days after the date of such notification with the Final Date for Payment being forty-two days after the date of notification. If such notification is challenged the parties shall attempt to agree any amount to be paid. If not agreed within fifty-six days of the notification the Project Manager
shall determine the amount to be paid. The agreed amount shall be due fourteen
days after the date of agreement or determination, with the **Final Date for
Payment** twenty-eight days after the date of agreement or determination.

39.14 The **Contract Price** excludes Value Added Tax and to the extent that the tax is
properly chargeable, the **Purchaser** shall pay such tax as an addition to
payments otherwise due to the **Contractor**.

### 46 Adjudication

*Re-number Sub-clause 46.9 as 46.11, and insert the following:*

46.9 The **Adjudicator** may correct his decision so as to remove a clerical or
typographical error arising by accident or omission.

46.10 The **Adjudicator** may include in his decision a direction as to the allocation of his
fees and expenses as between the parties.

### Guide Notes

1. Sub-clause 2.7 of the General Conditions of Contract shall apply to these
Guide Notes.

2. Purchasers and Project Managers should be aware of the need to issue a
certificate (under Sub-clause 39.4) or a ‘pay less’ notice (under Sub-clause 39.7) even if the
net sum to be paid to the Contractor is zero. Otherwise any sum sought by the Contractor will
be payable (see Sub-clause 39.6 – a requirement of the legislation).

that the Contractor submits an invoice following certification by the Project Manager has been
deleted above. This is to ensure, as required by the legislation, that the payment due date is
not dependent on any action of the Purchaser or Project Manager.