

5 March 2021

To: All firms registered in BCA's Contractors Registration System (CRS)

CIRCULAR ON GUIDELINES PROVIDED TO GOVERNMENT AGENCIES FOR PUBLIC SECTOR CONSTRUCTION CONTRACTS

A) RECOVERY OF COVID-19 ADVANCE PAYMENT

B) ISSUANCE OF WARNING LETTERS TO CONTRACTORS DUE TO PROJECT DELAY

This circular informs all contractors on the guidelines provided to government agencies for the recovery of COVID-19 advance payment (AP) for public sector construction contracts paid out since April 2020, and on the issuance of warning letters to contractors on project delay.

Background

2 During the two months of Circuit Breaker in April and May 2020 when construction works were suspended, the public sector provided two tranches of AP if the contractor had requested for it. The intent was to provide cashflow support for our contractors during the critical period last year.

3 Government agencies have since commenced the recovery of AP after construction works have restarted. Based on the Circular on Treatment of Claims Arising from COVID-19 in Public Sector Construction Contracts issued on 25 September 2020, the recovery of AP should:

- (a) Not begin earlier than two (2) months from the date when work restarted unless the contract is near completion. In situations where there is insufficient progress payment claimed by the contractors due to slow restart of works, government agencies have the flexibility to defer the recovery of AP to a later date depending on actual site progress and progress payments.
- (b) Be spread across 12 equal instalments by default. Government agencies are also given the flexibility to come to a mutual agreement with the contractor to adjust the AP instalments to be recovered, after taking into account the progress payments certified after construction work has restarted.

A. Additional Guidelines for the Recovery of AP

4 In BCA's recent engagement with industry, contractors provided feedback that higher manpower costs and slower progress of work on-site have affected their cashflow especially during the initial months of work restart, where it coincided with AP recovery. To help the sector tide through these challenging times, we have sought government agencies' assistance to follow the guidelines below when recovering the AP,

in addition to the earlier guidelines provided in BCA's circular dated 25 September 2020 (as stated in Para 3 above):

- (a) ***Each instalment of AP recovery shall be capped at 25% of the certified progress payment amount per month (except for the final instalment).*** Any balance instalment amount for that month will be accumulated and recovered in the final instalment. This is to ensure that contractors will have sufficient cashflow for the coming months.
- (b) Notwithstanding the above, government agencies have the flexibility to adjust the AP instalment quantum and to go beyond the AP recovery cap of 25% if it is necessitated by the project situation, after taking into account the estimated project progress and cashflow. This is so that government agencies can fully recover the advance payments before project completion. See Annex A for illustrations.

B. Issuance of Warning Letters to Contractors Due to Project Delay

5 BCA has also received industry feedback that some government agencies or their consultants have issued warning letters to contractors due to project delay. It is within the power of the government agencies or their Superintending Officers (SOs) to issue such letters under PSSCOC, especially when there are already substantial delays pre-COVID. Nonetheless, we have sought the government agencies' understanding to take a sympathetic view by factoring in the current industry situation (e.g. ongoing manpower tightness and loss of certain level of productivity due to adherence to Safe Management Measures on site), when assessing the need to issue warning letters for project delay.

Clarifications

6 For clarifications on this circular, please contact BCA at BCA_PPD@bca.gov.sg.

Thank you.

Yours faithfully

Er. Ng Man Hon

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Building and Construction Authority

(Transmitted via email)

Annex A: Illustration of AP Recovery

Project information of a Construction Project

- Awarded Contract Sum: \$100M
- Total AP paid by GPE: \$1.8M
- Date of work restart on site: 01 August 2020
- Substantial work restart on site: 15 Sep 2020
- AP recovery commence on: 1 Jan 2021 (The GPE has decided to start the AP recovery later in view of the slower than expected progress on site)
- AP recovery plan: 12-month equal instalment of \$150,000.00 (\$1.8M / 12months = \$150k) to be recovered monthly from progress payment starting on Jan 2021 to December 2021

In this scenario, the progress payment for work done in the month of January 2021 is certified to be \$500k. Based on the AP recovery plan, the instalment of AP recovery amount for this month is \$150k. Applying the guideline that each instalment of AP recovery shall be capped at 25% of the progress payment amount per month, the AP recovery amount is computed to be \$125k. Therefore, the actual AP recovery should be \$125k and the outstanding AP amount of \$25k will be carried forward to the final instalment.

S/N	Month	AP Recovery based on 12 instalments [A]	Certified Progress Payment [B]	Actual AP Recovery (capped at 25% of [B])	Remarks
1	Jan 2021	\$150k	\$500k	\$125k	•outstanding \$25k (\$150k-\$125k) c/f to final instalment
2	Feb 2021	\$150k	\$1.0M	\$150k	-
3	Mar 2021	\$150k	\$1.3M	\$150k	-
...	<i><Month of Apr to Nov 2021></i>				
12	Dec 2021 (i.e. final instalment)	\$150k + \$25k ^[1] = \$175k	-	-	•[1] outstanding \$25k b/f from the month of Jan 2021

Note:

c/f: carried forward

b/f: brought forward