

**From: Peter Oakford, Deputy Leader and Cabinet Member for Finance,  
Corporate and Traded Services**

**Rebecca Spore, Director of Infrastructure**

**To: Policy and Resources Cabinet Committee – 13 July 2022**

**Subject: Update on Capital Construction Programmes as a result of COVID-19.**

**Classification: UNRESTRICTED**

**Past Pathway of Paper: Urgent Cabinet Member Decision (20/00056)**

**Future Pathway of Paper: Not Applicable**

**Electoral Division: Countywide**

**Summary:**

Kent County Council (KCC) capital construction programmes have been impacted by the COVID-19 pandemic over the last two years. To mitigate this, the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services agreed up to £7.89m of additional funds to cover the cost of temporary accommodation solutions, contractor relief payments and contractual claims across the capital construction programme as a result of the COVID pandemic.

This report provides an update on how this funding has been used on KCC's capital programmes.

**Recommendation(s):**

The Policy and Resources Cabinet Committee is asked to **Note** the report.

**1. Introduction**

- 1.1 The outbreak of COVID-19, which was declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and restrictions were implemented by many countries, including the UK.
- 1.2 Following the necessary response to limiting the spread of COVID-19 by the UK Government, the construction industry has been heavily impacted, with some sites unable to operate safely, resulting in site closures or sites operating with a reduced labour force. The supply of materials has also been significantly impacted following the restriction of movements and the closures of key suppliers.
- 1.3 KCC has a significant capital construction programme that has been adversely

impacted by the COVID-19 pandemic. A review identified over 30 capital projects, which were at risk due to contractors having stopped work or reporting delays due to reduced labour and material supply issues.

- 1.4 In response to COVID-19, the government introduced measures to reduce the spread of COVID-19. In addition to these measures, the government issued the following guidance notices to support government suppliers:
- Procurement Policy Note 02/20: supplier relief due to coronavirus (COVID-19)
  - Procurement Policy Note 03/20: Use of procurement cards - COVID-19
  - Procurement Policy Note – Recovery and Transition from COVID-19.
- 1.5 The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services agreed, in decision 20/00056, up to £7.89m of additional funding to cover the cost of temporary accommodation solutions, contractor relief payments and contractual claims, across the capital construction programme to support implementation of the above changes in law and government guidance on the management of suppliers. The additional funding was not used to support any central government COVID-19 relief initiatives, such as furlough schemes, loans, and grants. The additional funds identified in this report are strictly related to direct financial assistance in the delivery of the capital project programme needs.
- 1.6 This report sets out the circumstances that arose during the pandemic as well as a financial summary of spend against decision 20/00056.

## **2. Areas of COVID-19 Spend**

- 2.1 Additional site costs incurred by KCC contractor suppliers were in relation to fulfilling the following list of COVID-19 measures:
- 2.1.1 Social distancing 1 meter apart on sites – requirement of extra site office space and welfare facilities.
  - 2.1.2 Wearing facemasks and gloves – Additional required funds to purchase these additional preliminary items.
  - 2.1.3 Increased requirement for cleaning surfaces and introduction of hand sanitiser stations – Extra cleaners employed on site.
- 2.2 Additional costs on preliminaries and fees - extended programme on construction sites caused by following COVID-19 measures:
- 2.2.1 Social Isolation – Operatives that have been in contact with someone who tested positive had to isolate for a stipulated time. Less operatives on site due to social isolation.
  - 2.2.2 Social isolation – Whole site shut down due to exposure to an operative testing positive thus requiring all individuals on site to isolate.
  - 2.2.3 Social distancing on sites - less operatives than planned could be on site resulting in decreased productivity and extended programme.
  - 2.2.4 Contractual mechanisms entitlement – due to introduction of government COVID-19 measures the KCC contractor suppliers were entitled to claim for.
  - 2.2.5 Extension of time to complete the works as well as compensation for any additional costs.

- 2.3 Costs incurred due to delays of projects programmed to meet the Kent Commissioning Plan (KCP). The capital programme typically consists of education projects to provide basic needs requirements for school places at the start of the academic year in line with the KCP.
- 2.3.1 Due to project delays identified above, some schools could not be delivered on time therefore temporary classrooms/accommodation had to be hired until the programmed construction projects could be completed.
- 2.3.2 Where possible contractual provisions to accelerate programmes were utilised, however the use of this option was limited by the other COVID-19 measures identified above, which limited the number of operatives on site.
- 2.3.3 Consultant fees incurred due to extended programme and additional contract administration due to implementing the contractual mechanisms.
- 2.3.4 Additional costs incurred for legal fees, to provide advice on contractual matters related to COVID-19 and advice on the drafting and implementation of COVID-19 clauses into KCC contracts, as recommended in the Procurement Policy Papers.

### **3. Governance and Budget Management**

- 3.1 To control budget allocation of the COVID-19 funding, an approved list of items that could be applied to the contractor's monthly application for payments, was established. Funding could only be allocated to a project cost for those items listed. The types of items that could be approved were as follows:
- additional preliminaries sundries - sanitisers, gloves, aprons, masks, thermometers, signing in and out stations etc.
  - additional cabins hired on site
  - extension of time - loss and expense claims
  - resequencing of works - Abortive costs by subcontractors, protection for materials and works, storage of materials
  - additional cleaners.
- 3.2 The project teams were informed of the types of payments to be paid, with payments only approved once proof of spend (paid invoice) had been submitted by the supplier. Where delayed/extended projects required temporary accommodation, requirements were jointly agreed between Infrastructure and the Area Education Officers.

### **4. Supplier Relief and Contract Amendments**

- 4.1 Throughout the period, the Infrastructure Division continued to liaise with the contractors delivering construction projects in response to the Procurement Policy guidance notices, until the government relaxed all COVID-19 restrictions in England. COVID-19 contractual provisions were also introduced to all KCC contracts, as well as a dedicated email account to field specific suppliers in distress requests. The supplier relief measures put in place ensured that all suppliers invoices were paid promptly to maintain cash flow.

## 5. Non-Financial Measures

5.1 By working collaboratively, there were a number of challenges that KCC departments and the contractor supply chain managed to overcome, that did not have a financial impact. A couple of challenges and mitigation used were as follows:

5.1.1 Shortage of materials due to logistics affecting delivery to stores or sites. Mitigation used:

- contractor suppliers stockpiled materials on site and KCC facilitated early payment of the materials
- shared supply chain knowledge with other suppliers of material availability.

5.1.2 Unavailability of specified material due to non-production due to COVID-19 absences in manufacturer factories. Mitigation used:

- KCC planners accepted planning applications that included several alternative materials for use, thus providing the contractors some flexibility
- KCC project team and stakeholders were more open in discussing and approving alternative materials.

## 6. Financial Summary

<b>Record of Decision (20/00056) Additional Funding</b>	<b>Actual Spend (2020/21)</b>	<b>Actual Spend (2021/22)</b>	<b>Forecasts spend (2022/23)</b>	<b>Total Spend</b>
<b>£7,890,000</b>	£4,862,572	£1,436,803	£690,623	<b>£6,989,998</b>

**Forecast spend in 2022/23 is for retention for projects which were completed in financial year 2021-22.**

## 7. Recommendation(s)

### **Recommendation(s):**

The Policy and Resources Cabinet Committee is asked to **note** the report.

## 8. Background Documents

- Appendix A – Executive Decision Report relating to 20/00056
- Appendix B – Record of Decision 20/00056

## 9. Contact details

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