

Item 4a: Appendix C – Impact of COVID-19 on LGF project delivery

1. Impact of COVID-19 to date

- 1.1. Whilst the duration of the current social distancing restrictions remains uncertain, it is very difficult to determine the duration and scale of impact as a result of COVID-19 on LGF projects. From discussions with scheme promoters it seems highly likely that project delays and cost increases will be incurred.
- 1.2. In the short-term, the impact of the social distancing measures has resulted in delays to projects at various stages of development. The impacts identified to date include delays to:
 - 1.2.1. Public consultations - it is not feasible to demonstrate that all groups have had the opportunity to respond to new development plans.
 - 1.2.2. Surveys - The current traffic conditions do not represent 'normal' flows and therefore project development work cannot be informed by information gathered at this time, resulting in surveys being postponed.
 - 1.2.3. Planning - Whilst some planning committees are now meeting virtually, others have been cancelled or postponed.
 - 1.2.4. Tender Exercises - procurement processes have been postponed for several projects, as there is deemed too greater uncertainty to appropriately cost and programme construction works at this time.
 - 1.2.5. Traffic Regulation Orders (TROs) – Local Highway Authorities are required to publish and publicise TROs for traffic management measures, including road closures, traffic and parking restrictions. Delays to TRO's being published has resulted in delays to construction works commencing.
 - 1.2.6. Construction works - At construction sites, either health and safety measures have increased on site, to observe the social distancing requirements, or there has been a temporary suspension of works. Where construction sites remain open, the pace of work has slowed due to the reduced workforce and to ensure compliance with Government's COVID-19 Construction Guidance.
- 1.3. Beyond the immediate impacts, further risks have been identified, including:
 - 1.3.1. Supply Chain Risks – there is a risk that private sector businesses within the supply chain may not be able to survive the current severely challenging financial situation. If private sector companies are unable to deliver on existing contracts, this will result in project delays and increases in project cost occurring.
 - 1.3.2. Increases in project costs – the delays to activities at construction sites are likely to add to project costs, as well as inflation costs. Some project sponsors have raised risks relating to the sourcing and cost of materials. There are also concerns that there will be fewer private sector construction companies post the COVID-19 crisis, reducing the competition for works and therefore potentially increasing tender prices.
 - 1.3.3. Local funding contributions – several projects are dependent on funding contributions, such as from section106 developer contributions, to complete the funding package. As a result of stalled development, these contributions may not be available to the timescales originally expected, therefore creating a potential funding gap.

- 1.3.4. Utility company delays – Prior to COVID-19 impacts, local authorities had already raised concerns about the impact of utility companies causing delays to LGF projects. These concerns have been heightened, as local authorities are currently unable to agree future work schedules with certain utility companies. This could hinder work to restart the economy through infrastructure investment.
 - 1.3.5. Competition for road space – as construction works resume on site, there is likely to be competition for road space between the delivery of LGF projects, new projects aimed at increasing active travel, transport projects being funded through other funding streams and demand for road space from utility companies. The delivery of construction works will need to be phased to ensure there is not severe disruption as a result of other infrastructure improvements being delivered simultaneously on diversion routes.
 - 1.3.6. Project benefits – The South East economy is unlikely to resume to ‘normal’ in the foreseeable future and reduced private sector investment is likely to impact the benefits which LGF projects were set to achieve, including the delivery of 78,000 jobs and 29,000 homes committed through the Growth Deal.
 - 1.3.7. Commercial viability of new office space - The behaviour change which has occurred as a result of the current social distancing measures is likely to have a lasting impact on travel and the way in which we work; with a potential longer-term shift to homeworking. In hand with the severe negative impact of COVID -19 on SMEs, this could potentially reduce the demand for new commercial space delivered through LGF investment in innovation centres and hubs for SME businesses.
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- 1.4. The value of the cost increases has not yet been quantified for each individual project and will depend on the specific conditions in the contracts between local authorities and contractors, the duration of the project delays and any interventions led by Central Government over the coming weeks/months.