

## **Scotland Excel**

**To: CEOMG**

**On: 6th May 2020**

### **Report by Chief Executive Scotland Excel**

#### **Construction Update (considering impact of Covid-19 on Scotland Excel Frameworks)**

##### **1. Summary**

- 1.1 Whilst a number of Scotland Excel frameworks have been affected by the current crisis, Scotland Excel continues to provide an agile and flexible service to meet the needs of our members and suppliers. The purpose of this paper is to provide an update to the CEOMG regarding the current construction category activity, and to outline current risks and potential mitigation opportunities.

##### **2. Contract Update**

###### **2.1 Domestic Furniture and Furnishings**

There has been an increase in crisis grants allocated through the Social Welfare Fund and increasing demand for fit-outs of void properties for habitation. All suppliers are experiencing reduced staff numbers with office-based staff working from home. The primary service is operational, however, with amended health and safety requirements to limit tenant engagement. Suppliers are also requesting streamlined payments and are issuing invoices for part-delivery orders.

It is proposed that the Domestic Furniture and Furnishings framework will be extended for a further three months until 31st January 2021.

###### **2.2 Domestic Gas Boiler Maintenance**

Scotland Excel has been engaging with suppliers to ascertain readiness to respond to increased volume of emergency call outs due to isolation/home working and corresponding increased heating usage. Research has also been carried out to gauge the availability of temporary heaters as required.

### 2.3 Trades (Plumbing & Heating, Electrical Materials, Building & Timber, Trade Materials)

Following Government guidance, much of the supply chain has closed and many have furloughed staff. Key suppliers are remaining open, however, to provide access to materials for emergency repairs for frontline services/key workers. Large merchants have made their distribution network available to disseminate PPE and have made existing stocks available for health and social care requirements.

The Electrical Materials framework was awarded electronically and went live on 1st April 2020 as planned.

### 2.4 Demolition, New Build Housing and Outdoor Play Equipment

Following Government guidance, all construction works have ceased, and most associated staff are in furlough. Suppliers have capacity to engage in tendering activity but may struggle to commit to specific pricing and programmes.

The demolition and deconstruction works framework tender has now closed, and evaluations are underway. Despite changes to both Scotland Excel and our members' working arrangements, the evaluation is progressing well, and we are continuing to receive an extensive level of support from the technical teams including representatives from City Property Glasgow LLP, Dundee City Council, Angus Council, North Lanarkshire Council and South Ayrshire Council.

In light of the restrictions following COVID19, we are considering the best options to consult with our wider UIG through future tender stages, all of which we will further clarify in the coming weeks and months.

## 3. **General Update**

### 3.1 Engagement with construction suppliers to support PPE stocks

Contract owners for frameworks including Asbestos, Demolition and Trade Materials, are in dialogue with framework suppliers regarding releasing appropriate PPE given the suspension of maintenance and works programmes. This will continue and available products will be allocated in line with the revised PPE process.

### 3.2 How suppliers are responding to the lockdown and how to continue to access supplies, services or works

The construction team collated statements being released by suppliers and recorded ongoing engagement with suppliers. A 'Current Status' spreadsheet is available on the category 'Framework Updates' section of the dedicated covid-19 website Newsroom, which confirms whether the supplier is operating during the lockdown, any changes to service delivery and updated contact details. Scotland Excel will continue to engage with suppliers and update this attachment to be reflective of ongoing discussions.

### 3.3 Impact on the contract delivery plan

Where possible Scotland Excel will continue to progress ongoing tendering/contract award activity and review as constraints are identified. In other cases, short extensions will be proposed taking cognisance of the current market conditions and the impact this continues to have on suppliers and councils. For those developments at an earlier phase, Scotland Excel is working with stakeholders to prepare procurement strategies for governance groups.

## 4. Policy Update

- 4.1 A number of Scottish Procurement Policy Notes (SPPN) have recently been issued as a consequence of the current COVID-19 outbreak. SPPN 4/2020 raises awareness on handling some procurement related issues, and SPPN 5/2020 sets out guidance for contracting authorities on payment to their suppliers to ensure service continuity. Construction Procurement Notice (CPN) 1/2020 relates to the impact of Covid 19 on Construction Contracts with CPN 2/2020 more specifically relating to Project Bank Accounts (PBAs).

The Scottish Government has also published Coronavirus (COVID-19): construction sector guidance which provides specific guidance on the operations of sites and associated works.

Overall, the Scottish Government's objective for the construction sector during the COVID-19 pandemic is to help ensure that Scotland takes a responsible approach to the containment of COVID-19, while being in a position to respond to both critical and longer-term recovery requirements. This will help ensure that the construction sector retains the capability and capacity necessary to effectively recommence work and deliver current and future construction project pipeline.

- 4.2 A summary of some of the major considerations for construction are set out below:

### **Project pipeline continuity**

Contracting authorities should, in conjunction with their suppliers, determine if it is practicable to maintain their current project pipeline including the related programme of procurement activity for construction contracts. Scotland Excel has reviewed its overall delivery plan for the calendar year and is in the process of finalising appropriate extensions and framework deferrals

Contracting authorities should engage with prospective bidders in any procurement procedure to ensure that they remain capable, and possess the necessary capacity, both to participate in the procurement procedure and to undertake the scope of proposed works.

## **Programme flexibility**

Where the contracting authority is planning a hiatus between practical completion and occupancy/operational readiness, there may be scope to prolong the construction programme to accommodate anticipated but unforeseeable site disruption due to COVID-19.

It is recommended that contracting authorities seek to agree a process with the contractor for identifying and recording prolongation and disruption directly attributable to COVID-19.

## **Existing contracts**

Contracting authorities should urgently engage with contractors in order to ascertain their current status on a range of key matters including:

- progress to date on site relative to programme
- value of work executed on site
- impact of supply chain disruption and supporting payments
- applications made to Her Majesty's Government and/or Scottish Government for emergency loans, grants and the like, including for supply chains
- any other matters of importance and relevance in light of COVID-19

## **Corporate governance rules and potential COVID-19 mitigations**

Contracting authorities should consider what flexibility exists within their corporate governance and contract standing orders to enable actions which would be substantive in meeting the guidance provided.

The objective of any measures taken should be to help ensure that Scotland, both locally and nationally, retains a viable construction sector through these unprecedented times and that businesses emerge ready to resume work on existing projects and new opportunities.

## **5. Current View from the Construction Industry**

Bodies representing construction and property professionals in Scotland have called for a gradual re-opening of non-essential building sites, within the parameters of health and safety requirements, as soon as possible.

The Royal Institution of Chartered Surveyors (RICS), Royal Incorporation of Architects Scotland (RIAS) and Chartered Institute of Building (CIOB) point out that urgent action is needed to avoid a long term, detrimental impact on the construction sector and the economy.

They also state:

- that stasis is already taking hold of the sector in Scotland with many projects at significant risk and that unless measures are put in place now, outcomes will include long-term skills shortages, cost increases and reduced productivity.
- one of the biggest impacts of closed construction sites is that supply chains are now engaging in a comprehensive furlough of staff to the point that a state of paralysis is setting into the construction industry.
- many projects are in jeopardy, even at pre-construction phase, because the supply chain cannot submit quotes and prices.
- any delay in project planning and procurement will cause projects to be cancelled, and it could prolong the recovery.

In addition to the lifting of the lockdown on building sites, RICS, RIAS and CIOB have also called for the following:

- A VAT rebate fund for home repair and maintenance, and energy efficiency improvement measures, with parity between new build and existing properties.
- The prioritisation of preconstruction design and specification work leading to tenders, ensuring there is a flow of activity into the construction industry.
- The instruction of appropriate building surveys/condition inspections now of publicly owned buildings, such as schools, colleges, museums and libraries that are currently vacant.
- An initiative to encourage a large-scale public sector programme of maintenance works that will assist cashflow for SMEs, supporting the supply chain and retaining skills.
- The maintenance of public sector pre-design and development work to ensure that design professionals are able to support future public sector development programmes
- Having the Scottish National Investment Bank provide guarantees of bank lending, acting as a longer-term post-pandemic CBILS, that will encourage investment in Scotland's infrastructure programme

## 6. **Conclusion**

Members of the CEOMG are invited to note this update.