

MORE HOMES DIVISION GUIDANCE NOTE



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To: All Local Authorities
All Registered Social Landlords

Subject: Affordable Housing Supply Programme:
Impact of COVID-19 on delivering grant-
funded affordable housing projects

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This guidance note outlines the action that local authorities and Registered Social Landlords should be taking in order to mitigate the impact of the COVID-19 pandemic on delivering grant-funded affordable housing projects which were contractually awarded prior to lockdown (regardless of whether these were on site around that time).

In line with [Scottish Government Construction Policy Notes](#)¹, engagement with contractors should progress honestly, openly and constructively – recognising the mutual need to pragmatically address issues relating to COVID-19. Measures taken by local authorities and Registered Social Landlords in this regard should (a) ensure a best value approach to project delivery and completion (b) mitigate the risk of potential dispute (which would likely add further cost and time impacts) and (c) ensure that Scotland – both locally and nationally – retains a viable construction sector and that businesses are able to continue and/ or resume work on existing projects and new opportunities.

While **the firm aim of this engagement should be to reach agreement with contractors which negates the need for additional funding**, grant support requests towards additional funding costs will be considered (including those relating to professional consultants, if applicable) – but only where:

- suitably qualified professional advice can be provided showing that the costs claimed:
 - have been the subject of the mitigation measures set out in the main body of this guidance note, and
 - are as a direct result of the COVID-19 pandemic, and
- discussions have taken place between the grant provider and (where applicable) the relevant local authority and agreement reached for the additional funding to be met from the existing Resource Planning Assumption for that local authority area.

A copy of this guidance note can be found on the [Scottish Government website](#). The use of the term ‘*grant provider*’ within this guidance refers to the local Scottish Government More Homes Division area office or – in the case of Edinburgh and Glasgow – the City Councils.

Any questions about this guidance note should be directed to the relevant grant provider.

¹ Recently published Scottish Government Construction Policy Notes provide information on managing construction projects through the COVID-19 pandemic. Local authorities and Registered Social Landlords should keep up-to-date with the content on this webpage.

AFFORDABLE HOUSING SUPPLY PROGRAMME: IMPACT OF COVID-19 ON DELIVERING GRANT-FUNDED AFFORDABLE HOUSING PROJECTS

Introduction

Further information is now provided on:

- the action that local authorities and Registered Social Landlords should be taking in order to mitigate the impact of the COVID-19 pandemic on delivering grant-funded affordable housing projects which were contractually awarded prior to lockdown (regardless of whether these were on site around that time), and
- the circumstances under which requests for additional grant funding will be considered.

Only impacts specifically related to stopping and restarting activities (see **Annex A** for examples of the type of activity that may be considered) and/ or the implementation of the [Construction Scotland Safe Operating Guidance](#) and other COVID-19 related issues relating to construction are to be considered under this guidance (see **Annex B** for further examples). In this respect, Registered Social Landlords should note that any unforeseen and unavoidable cost over-runs on grant-funded affordable housing projects which do not relate directly to the COVID-19 pandemic will continue to be assessed in line with the procedures set out in [MHDGN 2019/03](#).

Programme and cost impacts

Position at shut-down (if applicable)

It is essential that local authorities and Registered Social Landlords establish a clear process to understand and detail the progress on site at the date the COVID-19 requirements came into force (if this has not happened already) – this should be based on the accepted programme at the time the requirements were implemented.

Delivery in accordance with the Safe Operating Guidance etc

All parties must engage collaboratively, including down the supply chain, to mitigate as far as possible programme and cost impacts associated with delivery in accordance with the Safe Operating Guidance and other COVID-19 related issues which can be evidenced to have an impact on the programme and costs – the aim should be to secure a best value solution. This may include alternative methods of delivery, a wholesale change in sequencing, alternative shift patterns, physical distancing measures with reduced workforce etc.

Ultimately, there should be a clear understanding of the delay to the construction programme attributable to COVID-19, and agreement sought on the way in which this will be monitored going forward.

Applications for grant assistance

As noted earlier, while **the firm aim should be for local authorities and Registered Social Landlords to reach agreement with contractors which negates the need for additional grant support**, requests for funding for up to 100% of the additional costs incurred will be considered² (including those relating to professional consultants, if applicable) but only where suitably qualified professional advice³ can be provided showing that:

- the local authority/ Registered Social Landlord and the contractor have engaged collaboratively to mitigate as far as possible programme and cost impacts
- there has been no previous agreement between the local authority/ Registered Social Landlord and the contractor around the handling of any additional costs – for the avoidance of doubt, no request for funding will be considered where discussions have already taken place and agreement reached
- the contractor and, if applicable, professional consultants have mitigated costs incurred as a direct result of the COVID-19 pandemic through, for example:
 - obtaining support through wider business support measures such as furloughing staff and grants, and
 - contract works and other insurances (albeit that care must be taken to avoid inadvertently voiding insurance cover)
- an open book accounting approach has been adopted, and
- there is no recovery of profit on any unmet costs.

Any local authority or Registered Social Landlord wishing to make an application for funding on the basis of the above criteria should discuss this with the grant provider before any submission is made through the HARP system. As any additional funding would require to be met from existing Resource Planning Assumptions, discussions would also need to take place between the grant provider and (where applicable) the relevant local authority – and agreement reached – for the additional funding to be met from the existing Resource Planning Assumption for that local authority area.

Grant payments

Given the vital importance of cash flow, any grant awards would be conditional on local authorities and Registered Social Landlords (a) making grant payment claims as soon as work has been certified/ invoiced (b) ensuring that grant payments are passed to contractors and professional consultants as quickly as possible (c) impressing on contractors that any payment received must be expedited in turn to sub-contractors and the wider supplier base – and seeking evidence that this is happening and (d) considering implementing more frequent payment cycles (subject to contractors evidencing that this is being replicated down the supply chain).

² Prior to making any funding application, local authorities or Registered Social Landlords would require to be satisfied that the provisions of the relevant construction contract would enable them to pay the contractor for the costs being claimed. In the absence of such provisions, alternative legal provisions would need to be identified.

³ This advice can be supplied by independent consultants or local authority/ Registered Social Landlord employees.

CLOSURE AND SITE RESTART ACTIVITIES – POTENTIAL CATEGORIES OF COSTS

Although not intending to be exhaustive, the following table contains a breakdown of potential additional costs and activities that may have been incurred at the following stages – close-down, closure and site restart. It is not expected that costs associated with all of these headings will be incurred on each project (and other cost categories not listed here may occur on projects).

Close-down activities/ costs	Closure – costs	Site restart activities/ costs
<ul style="list-style-type: none"> Decommission installations (water etc) 	<ul style="list-style-type: none"> Essential site care and maintenance to prevent deterioration/ maintain public safety 	<ul style="list-style-type: none"> Condition survey to ascertain deterioration over downtime
<ul style="list-style-type: none"> Provide temporary protection (board windows etc) 	<ul style="list-style-type: none"> Maintain required level of security 	<ul style="list-style-type: none"> Reinstatement of work impacted by delay, for example, ground works
<ul style="list-style-type: none"> Extend/ activate security systems 	<ul style="list-style-type: none"> Cost of plant etc (scaffolding, storage etc) for duration of downtime 	<ul style="list-style-type: none"> Recommission installations (water etc)
<ul style="list-style-type: none"> Secure site perimeter and building entrances 	<ul style="list-style-type: none"> Cost of site accommodation for duration of downtime 	<ul style="list-style-type: none"> Contractor costs associated with restart process
<ul style="list-style-type: none"> In consultation with insurance advisers, amend cover provision as required 	<ul style="list-style-type: none"> Rates, utilities etc 	
<ul style="list-style-type: none"> Decommission/ return items of plant where possible 	<ul style="list-style-type: none"> Required insurances 	
<ul style="list-style-type: none"> Secure retained scaffolding 	<ul style="list-style-type: none"> Main contractor's % overhead 	
<ul style="list-style-type: none"> Temporary power supply to maintain live systems 	<ul style="list-style-type: none"> Sub-contractor site prelims as above for sub-contractors on site at the time of shut-down 	
<ul style="list-style-type: none"> Contractor staff costs associated with close-down works 	<ul style="list-style-type: none"> Sub-contractors' % overhead 	
<ul style="list-style-type: none"> Condition survey costs to ascertain position at close-down 	<ul style="list-style-type: none"> Storage and insurance of materials off site 	

IMPLEMENTATION OF SAFE OPERATING GUIDANCE AND OTHER COVID-19 RELATED ISSUES FOLLOWING START UP – POTENTIAL CATEGORIES OF COSTS

Again, the list of cost categories below is not exhaustive and it is not expected that costs associated with all of these headings will be incurred on each project (and other cost categories not listed here may occur on projects).

Changes to working practices/ activities	Alterations to site establishment etc	Increased preliminaries
<ul style="list-style-type: none"> Increased labour costs associated with additional time to undertake activities in compliance with amended method statements/ alternative methods of working 	<ul style="list-style-type: none"> Additional welfare accommodation, office accommodation and associated temporary works etc 	<ul style="list-style-type: none"> Additional cleaning to site establishment and to site including attendance and fumigation cleaning between shifts
<ul style="list-style-type: none"> Additional cost associated with alternative/ additional activities to reflect the relevant phases of Construction Scotland's Construction Re-Start Plan 	<ul style="list-style-type: none"> Physical adjustment to site access and on-site movement, for example, one-way systems and egress routes 	<ul style="list-style-type: none"> Increase in working hours and associated staff supervision costs
<ul style="list-style-type: none"> Provision of additional PPE and training in its use 	<ul style="list-style-type: none"> Provision of additional hand washing facilities on site and hand sanitiser facilities 	<ul style="list-style-type: none"> Staff and non-staff costs associated with increased programme due to re-sequencing of activities to achieve physical distancing
<ul style="list-style-type: none"> Adjustment to material price/ availability associated with a disruption in supply and/ or additional manufacturing costs 	<ul style="list-style-type: none"> Alterations for deliveries including additional space for the safe inspection and unloading of vehicles, defined parking areas, travel routes and enlarged storage for safe movement of materials and components 	<ul style="list-style-type: none"> Staff and non- staff costs associated with increased programme due to re-sequencing of activities unable to be undertaken safely

Changes to working practices/ activities	Alterations to site establishment etc	Increased preliminaries
<ul style="list-style-type: none"> Loss of momentum and/ or development of efficiency in new ways of working 	<ul style="list-style-type: none"> Removal of and provision of alternative secure entry systems including removal of all skin touch systems 	<ul style="list-style-type: none"> Prolongation of programme due to reduced number of operatives able to operate safely on site
<ul style="list-style-type: none"> Out of sequence/ season working only if demonstrable impact on cost 	<ul style="list-style-type: none"> Additional signage to dictate safe routes on and through sites 	<ul style="list-style-type: none"> Additional time required for monitoring, inspection and validation that safe practices are adhered to
<ul style="list-style-type: none"> Impact of third party delays 	<ul style="list-style-type: none"> Additional COVID-19 safety signage including digital systems 	<ul style="list-style-type: none"> Enhanced digital project mapping/ progress recording/ record keeping on site to reinforce validation of activities that may attract additional costs and to demonstrate quality standards are being maintained with the amended operational methodologies
<ul style="list-style-type: none"> Costs associated with alternative suppliers 	<ul style="list-style-type: none"> Alteration of areas of public interface to align with COVID-19 protocols 	<ul style="list-style-type: none"> Provision of temperature checking/ screening including thermal cameras and recording of operatives entering and leaving site
<ul style="list-style-type: none"> Additional costs to bring staff/ operatives back from furlough to service a particular activity (only as specifically agreed in advance) 		<ul style="list-style-type: none"> Lease extensions and availability
		<ul style="list-style-type: none"> Extension of Bonds if applicable and required
		<ul style="list-style-type: none"> Additional toolbox talks etc associated with COVID-19

Changes to working practices/ activities	Alterations to site establishment etc	Increased preliminaries
		<ul style="list-style-type: none"> • Off-site materials storage premises
		<ul style="list-style-type: none"> • Increased rates/ utilities
		<ul style="list-style-type: none"> • Additional car parking
		<ul style="list-style-type: none"> • Increase in staff supervision costs associated with increased/ altered working hours and shift patterns
		<ul style="list-style-type: none"> • Additional/ alternative plant and equipment to allow for physical distancing measures during activities normally involving more than one person
		<ul style="list-style-type: none"> • Additional transport/ travel/ accommodation costs to achieve physical distancing
		<ul style="list-style-type: none"> • Periodic cleaning of materials, components, equipment and shared tools to maintain hygienic/ safe working environments