

# **COST PRESSURES AND COST MANAGMENT OF CAPITAL PROJECTS**

**Finance and Investment Advisory Committee – 11 January 2024**

**Report of:** Strategic Head of Property and Commercial

**Status:** For Consideration

**Also considered by:**

- Cabinet – 18 January 2024

**Key Decision:** No

**Executive Summary:** At the request of the Portfolioholder for Finance and Investments, this report provides an overview of the cost pressures that Sevenoaks District Council (SDC)'s capital projects have encountered, and the cost management measures that SDC has in place. The report notes that projects follow a robust development and review process and that they are regularly monitored with issues being escalated accordingly. Regular monitoring will continue to take place to ensure that individual projects continue to deliver positive results as well as value for money.

**Portfolio Holder:** Cllr. Maskell

**Contact Officer(s):** Geoff Golledge, Ext. 7479; Andrew Connors, Ext. 7018

**Recommendation to Finance and Investment Advisory Committee:**

- (a) Provides comments to Cabinet on the recommendations below.

**Recommendation to Cabinet:**

- (a) Notes the cost pressures SDC's capital projects have and can encounter as detailed in the report.
- (b) Notes the cost management measures SDC has in place as detailed in the report.
- (c) Endorses the continued use of the capital project cost management measures SDC employs.
- (d) An information session is offered to members to help better understand project management protocols and approaches that the Council uses for its capital projects.

## Introduction and Background

- 1 This report was request by the Portfolio-holder for Finance and Investments to better understand the financial variances that certain capital projects have experienced and the change control processes in place to approve such variances.
- 2 Sevenoaks District Council (SDC) undertakes a variety of capital projects, which contribute towards the achievement of the Council Plan. All of the projects undertaken are endorsed and approved through the Council's committee process as required by the Council's Constitution and in particular, the Council's Financial Regulations.
- 3 Over recent years these projects have included the following commercial, leisure and residential projects:
  - Bradbourne multi-decked Car Park (420 spaces), Sevenoaks; £5.3 m total project cost; completed 2017.
  - Premier Inn Hotel (83 beds), Sevenoaks; £7.32 m total project cost; completed 2018.
  - Sevenoaks Town multi-decked Car Park (480 spaces), Sevenoaks; £10.92 m total project cost; completed 2019.
  - Burlington Mews (10 townhouses), Sevenoaks; £5.9 m total project cost; completed 2020.
  - White Oak Leisure Centre (6 lane pool, learner pool, 100-fitness stations, spin space, sports hall, multi-use studios, tag active, soft play, feel-good, café), Swanley; £22.24 m total project cost; completed 2022.
  - 27-37 High Street (17 flats, business hub), Swanley; £5.93 m total estimated project cost (final account for construction works currently being settled); completed 2023.
  - Stangrove Estate Development (13 residential units, replacement retail unit, parking and landscaping), Edenbridge; £4.31 m budget; completion due 2024.
  - Farmstead Drive (23 residential units, replacement retail unit and community, parking, playground re-location), Edenbridge; £10.35 m budget; completion due 2026.
  - White Oak Residential (61 residential units, parking, amenity space), Swanley; £21.85 m budget; completion due 2026.
- 4 Other capital projects are also currently under development and are entered into the Council's committee process once pre-feasibility work is undertaken to determine "proof-of-concept", viability, feasibility, affordability and the project is aligned to the Council's needs, objectives and priorities.
- 5 All capital projects from inception/mandate are managed in accordance with the Council's project management protocols, and there are several control measures in place to ensure projects are appropriately managed and directed.

## Control Measures

- 6 To ensure successful project delivery, appropriate measures have been established by the Council to direct and control a project.

#### Technical know-how

- 7 Capital projects are managed by professionally qualified officers in the Commercial and Property Team who procure consultants, design teams, and contractors in accordance with the Public Contracts Regulations 2015 and SDC's Contract Procedure Rules.
- 8 A Project Team is set up for each project with internal SDC officers from i.e. Planning, Legal, Finance, Communications, Commercial and Property Services. The internal project team is augmented with specialist external professional consultants and advisers (i.e. design specialists, engineers, planning consultants, tax specialists, financial and property consultants, valuers and cost consultants) depending on the nature of the project at hand. As a project progresses, the project team will expand to include the employers agent, clerk of works, development partner if relevant, and the contractor.

#### Project Management Approach

- 9 The Project Team uses adapted PRINCE2 methodologies to manage projects. The Council's project management approach is outlined in Appendix A. This outline shows the outputs, approvals, project management products and milestones during the life cycle of a project. A robust formal change control process is managed by the Council's internal project manager and external employers agent/contract administrator. All proposed changes and alternative options are appraised in terms of cost, time and quality implications.

#### Governance

- 10 The Project Team reports to the Corporate Programme Board (CPB) composed of SDC senior officers and chaired by the Chief Executive. Monitoring reports (such as highlight reports/exception reports, financial summary accounts and risk registers), are submitted monthly to the CPB. A Capital Projects Dashboard is also provided at the Capital Projects Review meeting which is attended by the relevant cabinet members (the Leader and Portfolio Holder for Improvement and Innovation, Portfolio Holder for Finance & Investment, Deputy Leader and Portfolio Holder for Housing & Health).
- 11 Relevant Cabinet Advisory Committees are consulted prior to scheme gateway approvals by Cabinet and Council. The advisory committees afford members the opportunity to provide input into projects. In addition, ward members are also notified of projects that may be located within their wards and requested to provide input too.

#### Public Consultation

- 12 In addition to member consultation, key stakeholders and residents are also consulted at various stages of a project's development. Such consultation is undertaken to identify issues and needs, obtain feedback on emerging ideas/designs and to gauge stakeholder/public opinion with the ultimate

intention of improving a scheme and mitigating its impacts as much as possible. For example, the Farmstead Drive Project underwent a two-stage consultation process prior to statutory planning consultation and feedback assist the project team in improving the scheme's design features and specification.

#### Project Risk Management

- 13 Risks (including potential cost pressures) are identified from the outset of every project and are regularly reviewed. Risks are assessed in terms of their likelihood, impact, proximity, and mitigation measures suggested. Risks are managed and updated as a project progresses through its lifecycle. Where risks materialise, issues are raised through exception reporting through the governance arrangements put in place.

#### Contingency Allowances

- 14 Contingency allowances are made to deal with unknown risks and unforeseen circumstances associated with a project. These include 'Design Contingency' regarding risks associated with design development, changes in estimating date, statutory requirements, procurement methodology and delays in tendering; 'Construction Contingency' regarding risks associated with, site/ground conditions, existing services, and delays by statutory undertakers; and 'Client Contingency' regarding changes in scope of the works, in quality and time.
- 15 Contingencies are greatest in the early stages of a project when there are the greatest number of possible risks. Contingencies tend to reduce as a project progresses, as more information becomes available (e.g. through surveys and investigations) and the design is developed.

#### Procurement

- 16 The Council is under statutory obligation to comply with procurement regulations. While these obligations ensure transparency and equity and are aimed at ensuring the council achieves value for money, it is important to note that the procurement methods can impose additional cost pressures on a project, which would not apply to private sector projects. Significant consideration is therefore given to how consultants and contractors are procured and which forms of contracts are used. Depending on the project at hand, procurements can be staged to ensure risks are appropriately mitigated. Often Design and Build contracts are employed to help SDC transfer risk to the contractor during the detailed design and construction stage. These can have an impact on cost.

#### Contract Form and Mechanisms

- 17 SDC uses industry standard construction contracts such as those from the Joint Contracts Tribunal. Contracts allow for Retention Sums to be held during the construction process to ensure works are properly completed. SDC also often obtains a Performance Bond of typically 10% of the contract value, or other mechanism, to protect against the risk of a contractor failing to fulfil

contractual obligations or going into liquidation. Retention allowances and performance bonds all have an impact on project costs.

### Continuous Learning

- 18 At the end of each project a formal Project Closure and Lessons Report is produced which includes a review of the project, the benefits achieved, lessons learned and follow on actions. This is reviewed by the CPB and Capital Projects Progress Meeting and learning is applied to other current and pipeline capital projects.

### **Summary of Key Cost Pressures**

- 19 During the life of the project various cost pressures may be experienced. Internal cost pressures may result from specification changes requested by the client, or indeed delays with seeking approvals in an industry which requires agility. Internal cost pressures are normally within the control of the Council, and it is for this reason that stringent change control mechanisms are put in place and the emphasis is placed on ensuring specifications and designs as well as other outputs and outcomes are clearly defined from the outset of a project.
- 20 External cost pressures include labour, supply chain, regulatory issues and general economic/market conditions that are beyond the Council's control. Appropriate risk management protocols are deployed to assess the risks these factors may present to the project and appropriate mitigatory measures and contingencies are put in place. However, unlike private sector projects where significant profit margins are also built into projects providing an added protection buffer, many public sector projects are commercially unviable or are marginally viable and have very limited additional margins to rely on.
- 21 With all projects, it is important to understand external cost pressures that may result from current and emerging economic condition. Sensitivity and scenario tests are therefore undertaken to stress test the financial parameters (and other parameters) of a project. Appropriate stress tests are undertaken, but since 2020, Council projects have experienced unprecedented global shocks, that could not have been predicted or stress tested. The Covid-19 global pandemic had a significant impact on supply chains and labour supply resulting in increased costs and delays to projects resulting in further cost increases. The Russian-Ukrainian War resulted in rising material, fuel, energy, shipping, and construction costs. These inflationary pressures were further confounded by Brexit, which impacted supply chains and labour markets within the UK.
- 22 The culmination of all these factors together with political turmoil, weakened economic prospects (locally and globally) causing financial markets to flux, resulting in the cost of capital to increase, higher interest rates and weaker consumer confidence.

### **Review of Project Specific Cost Pressures**

The following are recent capital project that SDC has undertaken and where cost pressures have had to be closely managed.

White Oak Leisure Centre, Swanley (completed 2022)

- 23 This was the largest project that SDC had embarked on in over 30 years. The project involved the construction of the new leisure centre (Phase 1), which was completed in February 2022, and the demolition of the existing leisure centre and construction of the new car park (Phase 2), which was completed in October 2022.
- 24 The project encountered significant issues that resulted in the project budget having to be revised and taken through the Council's Committee process. These included the Covid-19 pandemic, the discovery of unrecorded underground drainage assets and infrastructure, and the discovery of large underground voids, as well as the discovery of additional asbestos containing materials. These are outlined in more detail below.
- 25 A series of soakaways and large voids located within the footprint of the new leisure centre were discovered during the ground works. They were not identified in the pre-construction ground investigation surveys nor in the due diligence investigations and searches undertaken. The asset owner, Kent County Council (KCC), was not even aware of the soakaways as they did not appear on their asset register, but following investigation, KCC confirmed the soakaways were their assets. The soakaways and voids were surveyed to determine their full extent and additional geotechnical and structural engineering advice was obtained. They were subsequently infilled and piling foundations were reconfigured around them. Officers investigated the legal and technical circumstances to explore the possibility of reclaiming costs from either surveyors or KCC. However, in the absence of clear evidence of negligence and taking account of government guidance on the moving of infrastructure it was not considered proportionate to pursue any possible legal action.
- 26 Despite having agreed a new drainage system with KCC, Thames Water and the local planning authority, a new permanent drainage system needed to be reengineered and a temporary drainage solution agreed. KCC required additional investigations and modelling of the drainage network be undertaken before a permanent solution could be agreed. Discussions were protracted due to poor records held by KCC and Thames Water, but the Council undertook additional survey works to expedite the matter. A permanent drainage system was finally agreed. The temporary and new permanent drainage systems together with associated impacts, such as the need to provide temporary access arrangements to the new leisure centre, resulted in additional costs.
- 27 Covid-19 and Brexit. Despite proactive Covid-19 and supply chain management, there were delays with the receipt of some materials causing programme slippage of some 7 weeks.
- 28 Asbestos. While asbestos surveys were undertaken of the existing leisure centre, given the need for the existing leisure centre to remain operational,

intrusive R&D asbestos surveys could not be undertaken. While an allowance for asbestos was made at the start of the contract, further investigations undertaken in September and October 2021, revealed the existence of asbestos in unexpected areas and the allowance originally made was no longer considered to be sufficient. The full extent of the presence of asbestos and remedial works needed could only be determined once the existing centre was no longer operational and demolition works commenced.

- 29 Decommissioning of the existing leisure centre. Several costs associated with the decommissioning of the leisure centre only became apparent following the termination notice that was issued to the leisure operator. This was despite having engaged with the leisure centre operator from the outset of the project. Such costs included the need to remove certain fittings and furniture and soft strips associated with demolition, and contract penalty clauses associated with the early termination of certain services which had to be picked up by the Council.
- 30 The original project budget approved in April 2020 was £20m. The client contingency allowance made at the time was considered prudent and represented 3.9% of the total build cost and this was in addition to a 2% provisional sum allowance made by the contractor. The Development Partner advised SDC that these figures closely aligned with other leisure centre projects they had and were managing.
- 31 In February 2022 Council approved a budget increase to cover additional unforeseen costs as follows:

Item	£
Covid 19 site control measures	£76,500
Voids mapping and remedial works (includes cost of delay to programme)	£474,373
Soakaway temporary solution (includes cost of delay to programme)	£419,907
Soakaway permanent solution	£288,687
Changes to specification (eg. power for electric sub-station, drainage diversion, gym finishes, temporary entrance footpath, post completion hoarding)	£245,658
Increase to asbestos removal to existing White Oak Leisure Centre and party wall area with Bowls Club	£451,833
Decant of existing White Oak Leisure Centre	£230,182
Expenditure outside works contract (eg. consultants, surveys, cctv upgrade, soakaways downstream, Sencio contract penalty payments, capitalisation of salaries)	£300,932
Unforeseen costs estimate to end of construction project	£507,305
Total Construction Project Forecast Overspend	£2,995,378

The largest part of the additional costs incurred related to the soakaways and the voids (c. £1.3m). A sizable, assessed risk allowance contingency was made for the remaining unknowns, especially regarding potential asbestos, ground conditions and drainage issues, which could only become fully known during the demolition of the existing centre.

- 32 The following table shows the project actual expenditure against the approved budget:

	April 2020	February 2022	
	Approved Budget	Approved Budget	Actual
Construction	£18,388,558	£20,575,698	£20,821,776
Consultants	£766,729	£1,067,661	£1,264,222
Fees and Charges	£57,405	£57,405	£57,405
Contingencies	£657,308	£1,164,614	£0
Orchards Academy	£130,000	£130,000	£130,000
Total	£20,000,000	£22,995,378	£22,273,403

- 33 The project 12-month defects liability period ended in February 2023 for phase 1 and October 2023 for phase 2. The project budget has been fully reconciled. It is clear that the cost pressures experienced could not have been foreseen and were beyond the Council's control. Legal advice to recuperate these costs was obtained, but contract complexities would result in a protracted legal process with a limited chance of success.

27-37 High Street, Swanley (2023 handover)

- 34 The project involved the demolition of redundant premises to redevelop the site with 17 residential units, a business hub, communal garden, and parking.
- 35 The political and economic uncertainties following Brexit were such that construction costs and low residential sales market values in Swanley meant that the scheme was not viable to commercial developers and only marginally viable if SDC built it out itself.
- 36 In August 2020, a government grant of £1.49 m was approved to the project which necessitated an accelerated delivery programme. In November 2020, Council approved the scheme with estimated budget of £5,624,039 following which a contract was awarded for the demolition works. Tenders for the new build construction were evaluated revealing costs had increased sharply due to Covid-19 and Brexit. Value engineering was undertaken to make savings where possible. In March 2021 Cabinet approved £490,000 additional funding allowing the design and build contract to construct the scheme to proceed.
- 37 The total approved budget was £6,114,039 approved in March 2021.
- 38 The demolition works were hindered by discovery of an unrecorded live gas main, hidden basements not identified in the pre-works surveys, water main malfunction and temporary propping complexities. Despite early engagement with utility providers and paying upfront to expedite and undertaking utility searches and due diligence, the project experienced significant challenges and delays procuring gas, electric and water utilities. This has been noted to be an industry wide issue, with utility companies placing undue cost and programme issues on projects, with developers/contractors having limited recourse. Despite the Council seeking to proactively manage these activities, obtaining action from the utility providers proved challenging and necessitated matters being escalated with MP and CEO involvement.

- 39 Despite the challenges of undertaking a major construction project through Covid-19, post Brexit and with significant utility procurement setbacks, the project was delivered within the approved £6.11m budget.
- 40 The project is currently in the 12-month defects liability period which ends 3 July 2024.

Stangrove Development, Edenbridge (phased handovers over 2023/2024)

- 41 The project involves the development of seven sites within Stangrove Park, Edenbridge, to provide seven off-street, communal car parks, a new community shop, improvements to landscaping and 13 residential units. Currently, 3 of the parking sites are operational (opened as programmed) and the residential sites are programmed for phased handover in January and February 2024.
- 42 The total approved budget was £4,312,743 approved in November 2021.
- 43 Challenges have included delays in the delivery of BT and UKPN utilities outside the control of the project, the staircase supplier going into liquidation, Quercus Housing unplanned purchase of 8 residential units, bad weather and local resident aggravation.
- 44 Late changes to the specification, such as a change from gas fired boilers to air source heat pumps, additional landscaping and disabled parking requested by residents (post commencement of construction) have been managed within the contingencies set aside for the project.
- 45 Despite the challenges, the project is on track to be delivered within the approved £4,312,743 budget.

Farmstead Drive, Edenbridge (completion due 2026)

- 46 SDC is providing a wide ranging community benefit redevelopment constructing a new community hall and retail premises, as well as an enhanced play area, landscaping and additional 41 car parking spaces to serve the wider estate. All of which represent significant planning and community benefits for the local community and residents but come at significant cost, of which arguably a mainstream private developer would not be providing.
- 47 A report was provided to FIAC on 5 September 2023. The report noted that the cost of the project had significantly increased since the original estimate given back in November 2021 due to increases in construction costs, interest rates and changes to the original scheme design following the extensive consultation undertaken with residents and key stakeholders. It recommended the total project budget be increased by £2,741,785 to £10,351,405 which Council approved on 17 October 2023.
- 48 Based on the stakeholder and public consultation responses, the initial plans were revised to include:

- Fewer new homes
- Additional parking spaces for residents throughout the Estate
- Improved play provision
- A community hall that enables flexible use
- A new, modern community shop, and
- Other improvements including better signage and landscaping.

49 It was pointed out within the report that at the time of the Council's decision in November 2021, interest rates from the Public Works Loan Board (PWLB) were circa 1.5% and had increased to 5%. Construction materials also experienced significant inflationary pressures of up to 30% since January 2022 (further information and evidence of this is provided at Appendix B). These conditions unfortunately eroded the previous contingency and profit margins for the scheme and ability to provide affordable housing. The following table provides an elemental cost breakdown for the project and the variances between the originally approved budget and the currently approved budget.

<b>Elemental Cost Plan Items</b>	<b>Approved Budget - November 21</b>	<b>Approved Budget - October 23</b>	<b>Difference (+/-)</b>
Total Building works including demolitions, abnormals, preliminaries	£4,753,000	£8,566,646	+£3,813,646
Project/Design Team fees & client contingency	£628,000	£386,123	-£244,877
Risk & Inflation Allowance	£1,420,000	£433,354	-£986,646
Marketing, legal and Sales fees	£218,044	£159,001	-£59,043
Financing Fees	£187,942	£476,918	+£288,976
CIL/S.106	£302,634	£329,363	+£26,729
<b>Totals</b>	<b>£7,609,620</b>	<b>£10,351,405</b>	<b>+2,741,785</b>

50 Back in November 2021, it was reported that an external cost consultant (Playle & Partners) was appointed to advise on the scheme's original estimated costs. The total estimated build cost was expected to be circa £4.753m and the total project cost £7,609,620. The table above provides a high-level outline of the original cost elements within the approved budget back in November 2021, compared to the latest approved budget back in October 2023.

51 The largest cost difference is related to the total building works cost which includes the construction of the Community Hall and Convenience Store to a higher specification which alone costs around £950,000 and £305,000

- respectively. The Community Hall is more expensive than the rest of the scheme, due to the single storey, ventilation requirements, roof design, steelwork, acoustic roof, floors, and partitions. These additional costs only became evident once detailed construction designs were prepared and the contractor was able to advise on buildability. The total external works sum which includes enhanced and improved landscaping and open space areas, including the additional parking (41 spaces) that are now being provided to serve the wider estate costs around £878,000.
- 52 These elements and the general increase of construction materials have all contributed to the increase to the schemes build cost. It's important to note that despite this, due to an extensive value engineering exercise, the Contractor was able to identify and apply £828,000 of savings to the final fixed construction sum price.
- 53 The Risk and Inflation allowance has been significantly reduced from the original estimate. Being aware of the budget pressures for the scheme the Contractor has taken a commercial view and reduced its tender and construction inflation allowance by £197,000 (from 6% to 3.5%). The Financing cost has substantially increased due to the interest rates from the Public Works Loan Board (PWLB) increasing from circa 1.5% back in November 2021 to now 5%.
- 54 The Contractor is also prepared to take the full risk on significant cost elements to the scheme and the fixed price construction sum agreed is inclusive of these risks associated with ongoing inflation, all utility diversions, disconnection and new connection costs, structural redesigns and Passivhaus savings.
- 55 The Council was successful in obtaining grant of £375,000 from the Brownfield Land Release Fund. A key requirement as a condition of the grant was for the Council to be in contract with a contractor by the 31 March 2023. A Two Stage tender process was undertaken to engage a Contractor earlier in the design process to assist in exploring cost savings, ensure buildability and to enter into the formal Pre-Construction Services Agreement for the enabling works package ahead of the 31 March 2023 deadline. This was executed on the 28 March 2023.
- 56 This approach allowed the Contractor to undertake the final detailed design development stages from the planning submission documents and undertake the value engineering cost savings exercise to help the SDC arrive at the fixed construction sum price we have negotiated on.
- 57 The Pre-Construction Services Agreement has been accordingly staged to minimise risks and the Council is not contractually required to award the main construction works component of the tender until it is satisfied with the final price, has obtained planning permission and the scheme remains viable. Planning permission (subject to the completion of the necessary s106 agreement) was achieved on 17<sup>th</sup> August. Following Council approval for the additional funding the Council is now proceeding with entering into the main construction works contract with the contractor.

58 A Project Team has been set up within the Council and is being supported by external consultants. In particular, the Council has appointed a specialist cost consultancy firm to act as Employers Agent and Quantity Surveyors (QS). A programme of expected expenditure/cash flow is put in place to help forecast and monitor planned expenditure going forward. Valuations as to work undertaken by the Contractor will be carried out monthly and scrutinised and certified by the Council's appointed QS.

#### Market Intelligence Evidence

59 Throughout the project, the project team maintained a close watching brief on construction prices. "Appendix B: Construction Products and Supply Chain Inflation Report" updated December 2022, attached, sets out the unprecedented risks that the construction industry faced during the project construction tender period. These included the impact of the Russia-Ukraine war, rising energy costs, covid-19, Brexit, and industrial action. The key risks were rising material, fuel, energy, and shipping costs as well as material shortages and delays. Close to 17,000 construction related businesses were at significant risk of insolvency due to rising construction costs, high levels of inflation and rising interest rates on debt.

60 "Appendix C: Construction Build Cost Market Intelligence Quarter 1 2022 (SCF)" attached, is market intelligence gathered from the construction industry. The analysis identifies changes in tender workload, number of employees, building costs and material and labour availability to highlight key areas of risk that may impact on project delivery.

## Key Implications

### Financial

61 The capital programme has expanded rapidly within the last few years as the Council seeks to deliver an ambitious capital programme.

62 This has brought financial challenges as most capital schemes are delivered over several financial years and require complex funding solutions from multiples sources such as capital receipts, internal borrowing, and external loans.

63 In recent years both construction costs and interest rates have increased as the impact of inflation is felt which makes it a greater challenge to deliver schemes that are financially viable.

64 As revenue budgets are put under pressure there is a reduced capacity to fund schemes through the Council's revenue budget and a recent change to the PWLB lending criteria has meant that the Property Investment Strategy was

paused as PWLB Loans cannot be taken for the purpose of pure income generation.

- 65 Finally, VAT implications need to be assessed to ensure the Council is making effective use of VAT legislation.

#### Legal Implications and Risk Assessment Statement

- 66 There are no key legal implications arising from this report. Details relating to legal issues with each project are set out in the report or the previous individual reports for each project.

#### Equality Assessment

- 67 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

#### Net Zero Implications

- 68 The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district or supporting the resilience of the natural environment.

#### **Conclusions**

- 69 This report provides an overview of the cost pressures that Sevenoaks District Council (SDC)'s capital projects have encountered. In recent years, factors in the external environment beyond the Council's control have had significant impacts on our projects. Covid-19, Brexit and the Russian-Ukrainian War have significantly impacted supply chains and labour markets resulting in increased costs and delays to projects and high inflation and interest rates. These impacts have all been closely assessed by the project team and variances have all been reported through the project governance protocols.
- 70 The report demonstrates that SDC is effectively managing its portfolio of capital projects. It has robust project, cost and risk management control measures in place. The Governance arrangements in place also allow for effective project management and direction, allowing issues to be scrutinised at various stages of the project's lifecycle and at various levels of reporting. The escalation process in place also allows matters to be responded to in an agile and effective way.

- 71 While certain projects have experienced significant challenges caused by external factors, the capital projects have and are being delivered with appropriate levels of diligence and control. It is also encouraging to note that projects have been delivered within budget, to quality and to programme and that lessons are being applied to current and new projects.

### **Appendices**

Appendix A - Project Management Approach and Overview

Appendix B - Construction Products and Supply Chain Inflation Report updated December 2022

Appendix C - Construction Build Cost Market Intelligence Quarter 1 2022 (SCF)

### **Background Papers**

[06b - WOLC Cabinet Report-Feb22 Final.pdf \(sevenoaks.gov.uk\)](#)

<http://cds.sevenoaks.gov.uk/documents/s54428/11-%20Farmstead%20Drive%20Committee%20Report%20Updated.pdf?J=1>

**Detlev Munster, Strategic Head of Property & Commercial**