

Swansea Bay City Deal

Construction impact assessment summary report



Date	July 2022
Version	V3.0

Construction Impact Assessment Summary Report

1.0 Introduction

The purpose of the combined risk/issues assessment and impact assessment is to highlight and quantify the specific risks/issues currently being experienced throughout the construction industry. SBCD Programme Board and Joint Committee have requested that all programmes and projects assess their current status and ongoing monitoring with regards the potential impact these construction challenges will have on the successful delivery of the portfolio and the constituent programmes and projects.

2.0 Returns

As of 14th April 2022 following multiple discussions and requests for completion of the SBCD construction impact assessment, below is the status of returns.

Programme/Project	Status of Return
Swansea Waterfront	Complete
Swansea Campuses	Complete
SILCG	Complete
Skills and Talent	Nil return – not currently a direct issue
Yr Egin Phase 2	Nil return – current review of delivery strategy and strategic alignment will complete within next few months once strategy complete and approved.
Pentre Awel	Complete
PDM	Complete
Digital infrastructure	Nil return – on-going BC updates will complete within next few months once BC updates complete.
HaPs	Nil return

3.0 Construction impact assessment (CIA) Requirements

The CIA has been developed with 9 key questions listed below, whilst providing projects the opportunity to highlight specific risks or issues under question 10:

		Identify as Risk or Issue
	<u>People</u>	
1	Decreased available labour and/or suitable subcontractors and suppliers	
2	main contractor delivery/management team - skills and capacity issues in terms of project delivery	
	<u>Materials</u>	
3	Lack of availability of construction materials	
4	Quality of materials (due to lack of stock of preferred option)	
	<u>Finance</u>	

5	Rising construction costs results in exceeding/increasing programme / project budget	
6	Contractor / subcontractor / supplier going bankrupt/experiencing financial difficulty	
	<u>Timelines</u>	
7	Delays in project programme due to traditional infrastructure project factors such as ground/weather/construction site issues etc.	
8	delay in obtaining relevant construction related / operational approvals	
	<u>Policy/political</u>	
9	revised industry/governmental statutory & mandatory requirements - including technological/policy/political advancements since initial planning phases	
	<u>Other</u>	
10	Please highlight any other risks/issues in relation to construction not highlighted above	

These questions are scored across 8 fields of potential impact of low/medium/high (probability x impact). The fields of impact are:

Scope and key objectives	Targets	Timescales	Reputation if project fails to deliver	Stakeholders/ partnerships commitment	Project costs	Procurement	Staff resourcing
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Once completed the author must then identify mitigations that are/will be put in place along with any resource requirements in enacting these mitigations.

4.0 Summary of Risks identified in returns

Risks	Impact Field	Scope	Targets	Time	Reputation	Stakeholder/ Partnerships	Proj. Costs	Procurement	Resources
Red		3	0	10	0	0	4	0	0
Amber		12	21	13	22	11	28	18	2
Green		29	23	21	22	33	12	26	42

5.0 Quantification of impact

Once known the impact of these risks becoming issues will likely result in a change, the CIA has been developed so that all quantification links to the 5 categories of change derived in the SBCD change procedures, namely:

- Financial/costs
- Timescales
- Quality
- Programme and/or project benefits are impacted
- Portfolio benefits are impacted

6.0 Summary/status

Areas of High concern

There are currently 3 areas of high concern, these being:

- Scope
- Time
- Proj. costs

All of these areas will be continually monitored and over time as any issues arise along with associated change requirements, change notifications and change requests will be submitted to the PoMO and reported/escalated accordingly to stakeholders as per the SBCD change procedures.

Areas of Medium concern

There are currently 3 areas of medium concern, these being:

- Delivery of targets
- Potential reputational damage
- Proj. costs

As projects and programmes develop, all areas of concern will continually be monitored through the construction impact assessment, in order to ensure that all change is reported, recorded, escalated and approved appropriately, any mitigations required are implemented and the overall success of outcomes, outputs and impacts are not affected.

Annex 1 – Quantification of Construction Impact

Purpose

The Construction Impact Assessment highlights the potential risks of rising construction costs and increased resource issues. Once any issues come to fruition, the Programmes and Projects making up the SBCD Portfolio will quantify the potential impact and provide mitigation as to what measures are currently being implemented to overcome the issues.

Background

The Construction Impact Assessment was introduced by SBCD PoMO at the end of 2021 as a reporting mechanism for Programmes and Projects to allow the identification and quantification of wide spread risks and issues affecting the construction industry. Since its inception many Projects have identified key risks to their construction activity identified within the summary report.

Items/Affects/Quantification

As a result of the implementation of the Construction Impact Assessment, two of the SBCD schemes have identified and quantified issues within their projects/programmes causing their organisations to need further funding to ensure the delivery of the schemes remains on track.

Project/Programme	Impact	Mitigation
PDM	Pembroke Dock Marine identified an under-budget position in excess of	The PDM delivery team have worked hard to mitigate the issues, coming up with solutions

	£1m for construction activity associated with PDI element.	that reduce some cost pressures through design without impacting on deliverables and securing additional funding from WEFO to cover the remaining shortfall.
Innovation Matrix (IM)	Currently the IM project which forms part of Swansea Waterfront have identified a shortfall in budget of £0.442m. This is due to inflationary impacts on construction costs and this has the potential to increase to £0.75m by the time construction activity is contracted.	UWTSD have factored this shortfall into their financial forecasts and are currently looking at avenues in which to fund the shortfall and determine if some/all of this deficit can be found. If there are no avenues to reduce this deficit from funding sources available outside of the IM funding profile then UWTSD are proposing to utilise funding from their reserves in the short term to allow the project to commence and be delivered as planned.

Next Steps

There are several steps that are now being taken in order to try and better understand the potential risks.

- Construction Impact Assessments will now be updated on a Monthly basis, if there is a quantifiable change within the Month, meaning the reporting of issues and impacts will be more frequent and timely to the SBCD governance boards.
- Change notifications will be submitted by the Programmes and Projects once the impact is fully realised.
- Change requests will be submitted if there is a need to reduce any aspects of delivery in order to safeguard the overall project.
- Review forecasted inflation information and provide a general picture of where the impact to the Portfolio will end up.

Conclusions

In conclusion, rising costs and resource issues have been a problem for the Construction Industry in general over the last 12 months and there are no signs that this will change in the short term. To date we have seen minimal cost increases from a Portfolio perspective, however once aggregated the final increase in costs for the delivery of Construction elements could be substantial.

The PoMO will continue to work with leads to identify and report issues as and when they arise whilst supporting any mitigation activities deemed appropriate. In the event that project elements

become unviable as a result of this current situation the PoMO will work with Project SRO's, Programme (Portfolio) Board, Joint Committee and Welsh and UK Government in a bid to ensure that the overall aims and objectives of the Portfolio are fully delivered and meet the aspirations set out within the region.