

DATE: 3 DECEMBER 2021

IMPLEMENTATION OF PROCUREMENT ADVICE NOTE (PAN) 01/21 – CONSTRUCTION MATERIAL COSTS DURING PANDEMIC RECOVERY

On 2 August 2021, the Executive approved the publication of a Procurement Advisory Note (PAN 01/21) in response to significant delays in delivery and volatility in the price of construction materials affecting the delivery of government construction projects.

The PAN included a review scheduled for 30 September 2021 to determine its impact and continued use. The review has confirmed that for contracts awarded before the 3 August 2021:

- **84** contracts have been impacted by delays in the delivery of materials (5 further contracts being assessed);
- **59** contracts have as a result of delays in the delivery of materials, adjusted the Planned Completion Date (5 further contracts being assessed) ;
- **105** contracts have been impacted by volatile pricing (9 further contracts being assessed) ; and
- **£1.91 million** additional cost to date, has been incurred as a result of volatile pricing.

For contracts awarded after 3 August 2021, or yet to be tendered:

- **1** contract has sourced alternative materials due to anticipated delays in the delivery of construction materials;
- **3** contracts have adjusted the Completion Date due to anticipated delays in the delivery of construction materials; and
- **25** tenders have returned inflated costs as a result of volatile pricing of construction materials.

A number of Centres of Procurement Expertise (CoPEs) advised that it is too early to assess the full impact of delays and volatile pricing. Some CoPEs have advised that many contracts awarded before 3 August have not yet progressed sufficiently enough to be significantly impacted by current volatile pricing or delays in the delivery of construction materials. It remains to be seen if issues will become manifest in the coming months.

The review has shown the measures in the PAN are helping to mitigate the impact on public sector construction contracts. Measures have been implemented in 63 contracts to address delays in the delivery of construction materials and 105 contracts to address volatile pricing of construction materials.

The measures included within the PAN will therefore continue to be relevant for those affected contracts.

It is however recognised that prices are stabilising (albeit at a higher level than March 2020) and the margins between the expected inflationary increase between the tender deadline and award have reduced. As such, the PAN will be withdrawn for **new** Tenders from submitted after 1 January 2022.