

# COVID-19: Building commercial resilience for infrastructure project owners

As a public health emergency, COVID-19 is one of the most challenging periods we have faced. The pandemic is causing widespread disruption and impacting infrastructure project owners in ways reminiscent of a financial crisis by disrupting supply chains and the labour market. However, there's a new dimension of mid-project stoppages which challenge business case viability and project profitability. Infrastructure project owners need to move quickly to identify and manage the threats presented by the COVID-19 pandemic. This paper outlines KPMG's perspectives of the specific challenges and risks, industry insights, and then practical steps that organisations can take to maintain and protect their commercial resilience around infrastructure projects:

## Challenges and concerns

- Early confusion over whether guidance should lead to keeping construction sites open, contributed to an inconsistent initial approach to shut-down across the contracting market.
- Factory shut-downs in China and Europe, plus the grounding of aircraft, have impacted materials supply.
- Remote working, staff sickness and the move to non-core hours impacts decision-making as well as all other activities.
- Delayed delivery and increased project costs puts original infrastructure project business cases under pressure.
- Planning committees in some cases unable to meet to consider applications.
- Disruption slowing revenue generation, while some costs remain fixed.
- Conversations with funders are necessary following amendments to draw-down and repayment profiles.
- Accessing government support and other funding quickly enough.

## Industry insights

- Programmes of work are being re-prioritised to essential works, or works that can easily be carried out under the Construction Leadership Council's Site Operating Procedures.
- Projects are making use of digital solutions to continue remote activities, including design and operating and maintenance manual compilation.
- Governance procedures are being adapted for remote delivery, and to reflect the information reasonably available from projects teams.
- Project owners and contractors are reviewing their contractual positions, but working collaboratively to develop least-impact solutions for projects.
- Controlled shut-down of some sites is taking place using Construction Leadership Council advice, with an accurate record of progress kept to re-baseline.
- Much construction activity is essential to maintain essential services.

1: Short term	2: Medium term	3: Long term
<ul style="list-style-type: none"> <li> Assess and monitor daily the latest government and industry advice and restrictions to ensure compliance.</li> <li> Establish clear lines of communications with staff and contractors.</li> <li> Establish delegated authority in the case of illness for key personnel.</li> <li> Baseline your projects now to accurately forecast potential COVID-19 impacts.</li> <li> Prioritise the portfolio: identify which projects are business critical, which could be paused and which could be started.</li> <li> Assess IT infrastructure and construction-specific remote working capabilities across the project delivery team, such as design and contract administration processes.</li> <li> Reorganise your site operations and working arrangements.</li> <li> Review and implement contingency plans and crisis responses.</li> <li> Review cash flow and liquidity, rapidly access government funding.</li> </ul>	<ul style="list-style-type: none"> <li> Use remote communication, adapted governance and control processes to monitor and assess the evolving situation.</li> <li> Regularly engage with suppliers in order to collaboratively develop least-impact options and build an implementation plan for start up.</li> <li> Perform risk assessments of supply chain resilience, assessing the ability to pay contractors (government funding, reserves, loans) and the mechanism for flow down the supply chain.</li> <li> Establish firm controls for cash management.</li> <li> Re-plan projects and the prioritisation of deliverables and act upon this.</li> <li> Resolve contractual issues with supply chain and mitigate disruption.</li> <li> Clarify the contractual position and assess legal / commercial implications such as extensions of time.</li> <li> Perform contingency planning for different eventualities, include a review of business cases, project viability and recovery of investment.</li> </ul>	<ul style="list-style-type: none"> <li> Assess the implications of material shifts in resource and capabilities according to the new priorities.</li> <li> Review the portfolio and assess the implications of the disruption.</li> <li> Implement mobilisation plan to restart the projects that have been on hold.</li> <li> Assess the status of the portfolio of projects post start-up and re-baseline considering commercial implications.</li> <li> Negotiate variations and claims that have resulted as an impact of COVID.</li> <li> Robustly manage cash to optimise working capital as business grows.</li> <li> Implement new strategy and keep under review – markets will change and pre crisis norms may not be returned.</li> <li> Maintain and enhance supplier risk management protocols and develop a new approach to commercial controls, expecting a more vulnerable supply chain.</li> <li> Review projections for revenue generation, and assess if projects are still viable or if future benefits can be renegotiated.</li> </ul>



## How is KPMG helping?

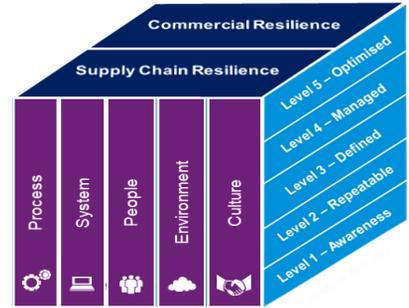
Rapidly assess the commercial resilience of your organisation and develop robust mitigation plans for COVID-19 impact. We are using our Commercial Resilience Pulse Check capability assessment tool to work with businesses to complete such rapid assessments, tailored to their specific businesses.

### Stage 1 – Short term

This is the time to complete a rapid assessment, either across the organisation or in specific areas, that highlights whether you have appropriate capabilities in place and are taking appropriate actions quickly enough to achieve commercial and supply chain resilience. Understand the gaps and weaknesses then mitigate with agile, effective and realistically achievable actions.

### Stage 2 – Medium term:

Government advice on distancing and remote working may lead to issues in implementing preferred actions. Agility and flexibility is required to assess and adapt plans as the situation changes. You will need to design your new operating model, decide what to prioritise, maintain effective controls, develop your re-mobilisation plan and act at pace, whilst maintaining effective control and assurance.



## The key areas we are helping clients in our Commercial Resilience Assessments include:

- Resilience:** business continuity, delay and disruption mitigation, responses to project and site closures, programme changes, working capital management and cost reduction, insurance claims and resource management.
- Supply chain:** supplier resilience risk assessments, Tier 1 & 2 health checks, critical supplier analysis, supplier cash flow.
- Project/Contract management:** governance and reporting, WIP and accruals, cash flow management, prolongation and disruption claims and fraud.
- Baseline:** Assessing the pre COVID-19 contract and progress position, including financial, legal, contract and risk assessments, and assessing potential impacts of COVID-19.
- Re-planning:** Updating plans for projects or contracts that have been put on hold, or future projects which have yet to commence.

### Stage 3 – Long term:

Those businesses which have utilised their time well over the short and medium term, have built resilience, managed cash, right-sized their business, revised if necessary their operating model, created effective re-mobilisation strategies, reviewed the operation of critical controls around their infrastructure projects, looked after their staff and supply chain, and completed effective assurance across key areas are likely to have the best chances in their sectors of recovering more quickly in the long term and thereafter.

### Remote ways of working:

- KPMG has adopted established methods when working with clients remotely, to support ongoing delivery and collaborative working. These are now the norm on all activities in light of COVID-19.
- All team members are familiar and practiced in agile working methods for producing deliverables and maintaining contact. All have laptops, access to all required software and to remote back-office support functions.
- We are using Microsoft Teams to create a virtual workspace which allows us and our clients to share, review and edit documents in real-time. We are using file sharing sites e.g. SharePoint and others to share/issue documents to clients securely.

### COVID-19 resource centre:

- Our latest insights and practical expertise to help you build resilience through this period of extended uncertainty can be found at [home.kpmg/uk/covid19](https://home.kpmg/uk/covid19).
- You can use the link to register for our webinars and insights series, access recordings of previous webinars, and view our weekly Economy Insights.
- Our COVID-19 response assessment is available at <https://kpmgcovid19response.co.uk/>

To discuss any of the issues or challenges covered in this document, or to more generally discuss how to respond to COVID-19 challenges if you have infrastructure projects or spend as part of your business and interests, then please contact:



**Richard Powell**  
UK Lead Major Projects Advisory  
E: [richardfa.powell@kpmg.co.uk](mailto:richardfa.powell@kpmg.co.uk)  
P: +44 (0)7795 126 937

[kpmg.com/uk](https://kpmg.com/uk)    [home.kpmg/uk/covid19](https://home.kpmg/uk/covid19)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

© 2020 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Produced by CREATE. | CRT126271A | April 2020