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A guide to capital development projects

Contents

Introduction

This guide is an overview of the processes in undertaking a capital development project. Capital development projects can vary significantly in size and scope and include:

- Refurbishment/renovation
- Renovation with some alterations (possibly significant) to an existing building to make fit for purpose
- Extensions to an existing building
- Complete new build construction projects

The degree of development will come with differing levels of rigour and complexity, and procurement.

This policy guidance can only be a starting point. It should be used to develop a research and action plan for a development or refurbishment project.

Getting started – project readiness

Organisation

There are many possible starting points for a capital development project. It may start with an existing building, where a new organisation needs to be established to take it on and develop it; or it may be an undeveloped piece of land and there is an existing organisation that wants to plan a completely new build to meet local needs. In any scenario it is essential that the organisation taking forward the project is fit for purpose and 'investment ready'.

There are some key questions that an organisation should ask of itself before embarking on a large capital project. Some of these are:

Clarity of purpose	Are your vision, mission, aims and objectives clear and understood by everyone (the community/other stakeholders/trustees/directors/staff)?
Community involvement	Are your links into the community or with client groups well developed, with clear routes for them to be involved in the project?
Suitable legal/company structure & governance	Do you have a legal structure that is suitable to take on and develop an asset? Does the organisation have the right constitution and objects/powers to enable it to borrow, employ staff and trade, as appropriate? See Governance – MyCommunity

Monitoring social impact	Do you know the difference that you are trying to make in terms of social impact, and have you got systems in place to measure it?
Strategic planning	Have you got a long-term strategic plan for the organisation? Can you demonstrate what your strategic steps are - now, soon and later?
Policies and procedures	Are your policies and procedures, including financial, fit for purpose to own and operate a community asset once established.
Capacity needs analysis	Have you got a good understanding of how you will need to develop internal capacity (people, skills, energy and time), both to deliver the capital project, and to operate it when finished? Have you conducted a skills analysis?
Board, staff, volunteer recruitment	Are you able to recruit the right people to fill any gaps identified on the board or staff/volunteer team?
Equality, diversity and inclusion	Are you embedding equalities, diversity and inclusion practice into the recruitment of the board, staff and volunteers?
Managerial competence	Do you feel that the lead people have the necessary skills/time to see this through?
Financial management competence	Does the organisation have the financial skills and the appropriate financial and reporting systems to keep on top of the capital and revenue streams and costs?

Leadership and vision

Leadership is crucial for guiding projects effectively. Commitment at all levels and leadership is important in achieving project objectives and ensuring clear communication and articulation of objectives will foster collaboration among stakeholders and ensure a successful outcome.

Community consultation and involvement

Community consultation and involvement is crucial for successful asset development. Meaningful community consultation should be undertaken at the earliest stage of the project and the engagement maintained throughout the build process. The consultation should identify the needs of the community in relation to the building, and steps should be taken to address any concerns arising from the consultation.

There is a useful webinar and film on strategies for effectively engaging your communities in a capital project on the MyCommunity website at Why community engagement is key to your success – MyCommunity. The film explores how to build trust and create a sense of ownership by listening to and acting on community feedback. It also looks at different engagement methods, from traditional meetings to digital tools like social media, and how to choose the right approach for diverse groups and ways to include underrepresented voices by overcoming barriers like digital exclusion and language differences.

Stakeholder involvement

Engaging other local stakeholders can lead to better outcomes and ensure that developments meet community needs. Input from service providers and user groups who may use the building can help influence and improve the design and the way the building operates. Engaging with the local authority can also build mutual objectives and may help issues such as planning and lease or freehold asset transfer negotiations if the land or building is currently in the local authority's ownership.

Potential stakeholders can be identified by type such as decision makers or people in a particular geographic area or with particular demographic characteristics such as age, gender or ethnicity for example. Some groups or individuals may have an interest in a specific issue linked to the development, such as a historic aspect, or that the development affects them either positively or negatively, directly or indirectly.

Partnerships: For larger and more complex developments it will often be practical to work in partnership with others who can provide support, specialist expertise, workforce and access to funding – such as local authorities, other public sector bodies, developers, registered providers.

Project pre-feasibility

An early step is to conduct a pre-feasibility study of the project. This is an initial assessment to understand if the project is achievable and viable, and sustainable. The terms viability and sustainability tend to be used interchangeably but are in fact different. Viability is largely financial and includes being able to meet initial development and capital costs, as well as operating revenue costs once the building is operational. Sustainability includes longer term financial revenue income and expenditure, but also issues of organisational resilience, capacity of individuals involved and factors such as any potential changes in the external operating environment affecting the operation of the building.

The pre-feasibility study will be informed by an initial research and information gathering exercise. Some of the key issues that will need addressing are:

1. Acquisition of the land/building
    - Has the landowner given written confirmation of their willingness to sell or lease the property?
    - Will it be available on freehold or leasehold?
    - If leasehold, what are the terms of the lease and the cost?
    - If freehold, what is the landowners asking price?
    - Are there any covenants or other restrictions that might limit the development potential?

2. Technical delivery
    - Can the asset meet the proposed end uses and meet identified needs?

- Can the land or building physically deliver and meet the needs of the community?
- Have any outline plans been drawn up?
- Are there any issues that may affect delivery of the project?
- Is the location suitable and accessible for the end users?
- Are there likely to be problems (or huge costs), associated with developing the land or buildings, e.g. contamination, flooding, planning consent, structural problems?
- Will any site preparation or remediation need to take place before work can commence?
- Have any surveys been undertaken?
- What is the condition of the building? Is it listed as a building of historical or architectural value?

3. Community and Stakeholder Consultation
   - Has meaningful community and stakeholder consultation taken place?
   - How has this influenced and informed the project?
   - Is the local authority supportive of the project?

4. Business Case
   - Is there an initial business case for developing the building?
   - Is there sufficient demand for the activities and services that will take place in the building?
   - Who will pay for these (it is important to distinguish between the customer and the beneficiary)?
   - What research has been done to quantify demand, and what market testing and bench marking has been undertaken to establish costs and realistic levels of charging?

5. Planning and other permissions
   - Will the project need planning permission?
   - Has a pre-app meeting with the planning authority taken place to identify any issues that may affect granting of planning permission?
   - What other permissions may be needed (e.g. listed building consent)?

6. Finance
   - What are the outline capital costs of the project?
   - What is the proposed financial strategy to deliver the project and begin operations?
   - Have any conversations been had with potential funders or loan providers?
   - What terms and conditions are there on any funding/loans?
   - What 'working capital' will be needed to bridge any gap while revenue income streams get fully established in order to meet operating costs?
   - Will there be sufficient quality and assured income streams to meet any loan repayments?

7. Timescales
    - Do you have a proposed project delivery timetable or Gantt chart?
    - How does this mesh, or otherwise, with available funding streams?
    - Is the timetable limited or dictated by external factors such as the owner wanting to sell by a certain date or funders deadlines for spend?
    - If so, is this feasible?

8. Other issues and barriers that may need to be overcome
    - Are there any other issues and barriers that may need to be overcome?
    - What is the plan for this? Are any of them project stoppers?

You can find more detail on feasibility and viability in Assessing the Feasibility of a Community Asset Project and Writing a Business Plan for a Capital Project in the Community Assets Hub on MyCommunity.

Full feasibility and business planning

Presuming that the pre-feasibility study or initial assessment has not identified any major obstacles that would prevent the project going ahead, the work can begin on a full feasibility and business planning exercise to fully detail the project and address any issues identified to date.

Working with professionals

It is likely that professional advice will be needed at various stages of the feasibility and business planning process, as well as later during project implementation. A board should always seek professional advice when necessary to fulfil its responsibilities and due diligence.

The type of professional advisor needed will vary depending on the type and scale of project and the specific issues surrounding it, the stages of the project, and the skills and resources already available to the organisation taking forward the project.

The types of professional advisor required may include:

- planning consultants
- architects
- building surveyors and quantity surveyors
- structural engineers
- project managers
- solicitors.

A full explanation is given in the advice sheet Engaging Professional Advisors in the Community Assets Hub on My Community.

The site

An understanding of the site ownership, and details of the leasehold or freehold acquisition will have been gained during the pre-feasibility stage, along with considerations of location and accessibility. Any constraints identified will need to be addressed.

Valuation

An independent valuation of the site/building should be undertaken as part of the due diligence of the organisation. This can inform freehold/leasehold negotiations with the owner and the viability of the project.

Valuations can be made on five different bases:

1. Comparative method. Used where there is good evidence of previous sales.
2. Investment method. Used for most commercial (and residential) property that is producing future cash flows through the letting of the property.
3. Residual method. Used for properties ripe for development or redevelopment or for bare land only.
4. Profit method. Used for trading properties - a three-year average of operating income (derived from the profit and loss or income statement) is capitalised using an appropriate yield.
5. Cost method. Used for land and buildings of special character for which profit figures cannot be obtained or land and buildings for which there is no market because of their public service or heritage characteristics.

A Red Book Valuation will often be mentioned or requested. For a valuation to be a Red Book valuation, it must be undertaken by a RICS registered surveyor who is a member of the RICS Valuation Registration scheme, a risk monitoring and quality assurance programme that checks compliance with the RICS Red Book. It also must adhere to the stated rules and guidelines. The Red Book itself does not dictate specific valuation methods, but it does outline the principles for choosing appropriate approaches and models. The valuer uses their professional judgment to select the most suitable method based on the property type, market conditions, and other relevant factors.

Surveys

Site surveys may need to be undertaken as part of the development appraisal to understand any issues, including whether site preparation or remediation is required before any works can commence.

Site surveys could include:

- asbestos/hazardous materials survey
- demolition survey
- access audit/surveys
- land contamination
- flooding risk assessment

- geological/geotechnical/soil survey
- traffic & transport surveys
- ecological surveys (bats/invasive plant species etc)
- archaeological surveys
- foul sewers/drains infrastructure capacity
- air quality survey
- railways/tunnels/mining searches
- unexploded bomb survey/risk assessment.

Where the project involves re-development of an existing building, surveys may include:

- structural or condition surveys
- measured surveys
- energy systems surveys
- asbestos/hazardous materials survey

Design

Architects follow the Royal Institute of British Architects (RIBA) plan of work which organises the process of briefing, designing, constructing and operating building projects into eight stages and explains the stage outcomes, core tasks and information exchanges required at each stage.
(see RIBA Plan of Work).

Funders and loan providers will usually expect to see plans drawn up to stage 2 or 3. There are RIBA draft contracts for some professional services.

As noted above, some architects may offer an initial assessment and even some broad outline plans pro bono (free) in the expectation of getting paid work at the later stages of a project if it goes ahead. For more information about potential problems with working with professional advisers on a pro bono basis, check out Engaging Professional Advisers in the Community Assets Hub on My Community.

Architects often specialise in different building types such as public realm and residential, and RIBA maintains lists of chartered practices with these specialisms along with other advice for working with architects (see Resources and How Do I Work with an Architect? | Using an Architect | RIBA)

Architects' fees will vary depending on the location and complexity of the project and level of service expected from them. Some architects will base their charges on a percentage of a total project cost, others as a fixed price lump sum or on a time charge basis. How much or how little you commission an architect is up to you - from an initial design discussion through to the final delivery of the project on-site.

Developing a brief

When working with an architect it is important to be an 'informed client', able to ask questions about proposed solutions and processes. Develop a clear brief when procuring architect services. This should include the following elements:

1. **General information**
   This section should cover basic information about the project and the people promoting it and what they require from a designer/architect/landscape architect, or surveyor etc. It should set out details of:

   - the project objectives and vision
   - the site and any site constraints
   - who the client is and the lead contact
   - the users and activities within the building

2. **Design objectives**
   Set out here any design goals your project needs to achieve for example: healthy by design principles to be uplifting and life enhancing; affordable and low energy usage; relationship between landscaping and the building.

3. **Detailed requirements**
   This part should set out in detail all the facilities needed for the project, or those which have been thought of as desirable. The sections set out below provide a base for most requirements and others can be added to define the specific requirements of a project.

   a) General requirements that apply to the whole project
   Describe any need for the design, layout, and all general provision, which are to be finally agreed with the client and comply with requirements such as regulations and legislation, and relevant land use planning standards.

   b) Individual space requirements which give specific requirements/ideas for each room/space proposed in the project.
   Including any requirements: circulation spaces; shared areas; rooms or spaces that may need to be self-contained/accessed.

   c) Specific features
   These may include details around:

   Accessibility - setting out any requirements for accessibility over and above the general provisions of the Disability Discrimination Act and Building Regulations.

   Environmental & services design - covering aspects of environmental performance (such as energy efficiency measures) and electrical and mechanical services.

Safety and security - setting out any specific requirements for security and safety.

Individual spaces - any requirements should be set out that relate to individual rooms or spaces and their specific features.

Finishes & fixtures - requirements in relation to aspects such as colour and materials; wall/floor coverings; window dressings etc.

4. **Client requirements**
   - the services required
   - tasks and outputs required
   - management of decisions and responsibilities
   - timetable and milestones
   - budget/terms.

Design and relationship to Capital Costs and the Business Planning process

It is worth pointing out that there is a dynamic relationship between the building design, the capital costs of the project and business planning in terms of revenue income and expenditure in operation. A decision made in one area informs the other in an iterative process. Any change in the design will need to be checked for any consequent changes in capital costs or the running costs of the building, or any impact on income streams. Similarly, a business requirement to maximise income from a part of a building may have design implications. Any energy efficiency measures should be considered early on. A suitably qualified independent energy assessor can set out the options and may be able to give indications of the impact on running costs of the measures.

Planning and other consents

Before a project may progress, and often before funding bids are submitted, it is necessary to make sure the required permissions and consents have been obtained, and standards are met.

Community groups need to gain planning permission for any development of land or buildings. Development includes new build or alterations and extensions of existing buildings and structures. It also includes many changes of use of land or buildings. Even relatively minor work such as putting up external signage may require planning permission, so it is always best to check.

Pre-app advice

Many planning authorities (but not all) will offer a pre-application (pre-app) service. Pre-application advice is a discussion between the applicant and a planning officer before a formal planning application is submitted. It allows for an early assessment of a development proposal, identifying potential problems such as design issues, environmental concerns, or policy conflicts, and suggesting solutions. Applicants can save time and money by addressing issues early on and

refining their proposals

to increase the likelihood of a positive outcome. Pre-application advice is not a guarantee of the granting of planning permission, but it can significantly increase the chances of success.

You will need to check your planning authority's website for details of the process and any relevant fees.

Planning application

Planning permission may be obtained by submitting a planning application to the local planning authority. This should include plans of the proposed development and sometimes supporting statements or reports, depending on the nature and complexity of the proposal. There is a right of appeal to the Planning Inspectorate if planning permission is refused.

Anybody can apply, but, if you wish, you could appoint a planning consultant, architect, surveyor or other professional to apply for planning permission on your behalf. Most planning applications require the submission of detailed plans and when these are required most people consider it better to employ a professional.

Most applications for planning permission require a fee to be paid when the application is made. This is set by the government, and the fee schedule is usually found on the local planning authority (LPA) website.

Do not underestimate the time it can take to obtain planning permission, particularly if the envisaged funding for the project has restricted timescales for draw down and spend of the funds. Although there are time limits for making decisions, planning officers are often under significant pressure which may affect the timeframes.

Details of the process can be found at Planning Aid - How the planning application process works.

Outline permission

An outline planning application can only be made for a new building or an alteration or extension to a building. Sometimes a developer or landowner may wish to see if a proposed development is acceptable in principle but does not want to go to the cost of preparing detailed plans.

The bare minimum that has to be supplied is the use(s) of the proposed building(s), the amount of development proposed and the general position(s) of the access or accesses to the site, but further information can be submitted if the applicant chooses. There are five matters which can be reserved for subsequent approval, referred to as "reserved matters". These are as follows: access, appearance, landscaping, layout and scale. Further details of what these terms

mean can be found in Regulation 2 of the Town and Country Planning (Development Management Procedure) (England) Order 2015.

In some circumstances the LPA might not be willing to consider an outline planning application. For example, for a site lying within a Conservation Area where some or all of details of the development might be important issues. If this is the case, the LPA has one month in which to ask the applicant to submit information on some, or all of, the reserved matters. The applicant can then either submit these further details or lodge an appeal to the Planning Inspectorate as if permission had been refused.

Once the outline permission has been granted, the planning authority has to accept the principle of the approved development agreed for the site. When determining an outline application, the planning authority should impose any conditions relating to the principle of the development, e.g. if it is a business and they wish to control the operating hours and any of the "matters" not "reserved" for future determination. Conditions imposed at the reserved matters approval stage can only relate to the details of the development then submitted, not the principle.
See - Planning Aid - Outline planning permission.

Full planning permission

If a full planning application is made, it can be that permission may be withheld if certain surveys need to be carried out. Sometimes this can delay the process considerably. For example, some ecological surveys can only be carried out at certain times of the year.

When permission is granted, it will frequently come with specific conditions attached that need to be met. These conditions may have significant cost implications for the project, such as the materials to be used, improvements to public access, or even local infrastructure.

Other permissions and consents

Other permissions and consents that may be needed are Listed Building Consent, Building Regulations Approval, Advertisement Consent, Environmental Permits and Licences, Tree Preservation Order (TPO) Consent, Works to Watercourses, Rights of Way (if needing to stop up or divert during development), Party Wall matters, Bio-diversity Net Gains. Pre-application advice will identify many of these potential extra permissions and consents before application.

Business planning

A fully detailed business plan should be developed that can demonstrate the viability and sustainability of the project, inform stakeholders and support funding and loan applications.

The business plan should include (but is not limited to):

- details about your organisation

- vision, mission, aims and objectives and how the capital project fits with these
- the members of the board, including their roles and responsibilities
- the skills, resources and information available to the board
- the experience within the organisation of delivering and operating assets similar to this project including project management expertise in delivering a capital project
- information about the capital element of your project. This could include:
    - information about your completed or planned feasibility studies, and any relevant surveys and costed designs
    - a programme with key milestones for completion of the project
    - a financial breakdown of the project. This should include:
        - a clear breakdown of the total capital project costs and explanation of how these have been calculated. This could include any quotes or cost benchmarking
        - whether the capital costs include irrecoverable VAT
        - a capital finance plan detailing expected sources of grant (along with any match funding requirements) or loan finance and any in-kind contributions
        - revenue budgets and cashflow forecasts covering the first few years of operation showing expected income streams and expenditures, and most importantly, showing the assumptions underlying the figures, so they can be interrogated and challenged. It should also identify any working capital needed to cover initial start-up costs before income streams become fully established.
        - risk register: a consideration of risks and mitigations of both the capital works while in progress and the related capital spend, and the risks in the ongoing operation of the asset.

You can find further information on Writing a Business Plan for a Capital Project in the Community Assets Hub on MyCommunity.

Finance

Capital budget

As noted above, the business plan will require a detailed capital budget. While at pre-feasibility stage, capital costs might be estimated on a per square metre basis based on preliminary plans; full capital costings will be required using detailed architects' plans, with engineering and technical details such as structural specifications, heating and ventilation systems, finishes, fixtures and fittings etc. These more detailed costings can be developed by a Quantity Surveyor using industry standard figures.

When putting the build contract out to tender, it is possible that a builder might find ways to reduce the costs through 'value engineering'. Value engineering in construction involves analysing all aspects of a project, from design to materials to construction methods, to identify opportunities for cost savings and

performance improvements without compromising quality or functionality. A project manager may work with the building contractor to find ways to reduce costs in this way while preserving intended outcomes and not unduly compromising quality or performance, during the construction process.

It has been noted that some organisations persist in using early estimates of cost as the final figure when making funding applications. There is considerable risk in doing this as the procurement process may increase or decrease initial estimates based on industry standard figures. Any significant time lag between getting quotations and starting construction may lead to increases due to inflation in the intervening time. Many builders will only guarantee quotes for 2-3 months.

The capital costs should also consider the VAT implications (for more detail see section on VAT) and include an amount for contingencies. Contingency sums can be around 5%-10% of the total costs, but in a time of rapidly rising building costs and/or high inflation this could be higher. Contingencies also tend to be higher (15%+) for work on listed buildings due to potential unforeseen extra costs manifesting themselves during the works.

VAT

The issue of Value Added Tax (VAT) on construction projects for third sector organisations is complex, and it is strongly recommended that organisations seek professional expert VAT advice at an early stage.

The principal guidance is the Buildings and Construction (VAT Notice 708) – see Buildings and Construction (VAT Notice 708) - GOV.UK (www.gov.uk)
There is potential for construction of new buildings or alteration to protected buildings (listed buildings or scheduled monuments) to be zero rated for VAT in certain circumstances where the organisation is a charity and the building is to be used for a relevant charitable purpose, or as a village hall. Within the guidance in the Building and Construction VAT Notice 708, Section 14.7 deals with the 'The meaning of relevant charitable purpose'.

Charities claiming zero rating need to demonstrate that they have charitable status with their Charity Commission registration number or with HMRC's letter confirming charitable status (the letter has the code CTY001 at the bottom). Charities that are not registered with a regulator or recognised by HMRC can apply for recognition online. Community Amateur Sports Clubs (CASCs) do not hold charitable status. Whilst they may be entitled to certain tax reliefs, unlike charities there are no specific VAT reliefs for CASCs. See Section 2 of 'How VAT affects charities (VAT Notice 701/1)' - How VAT affects charities (VAT Notice 701/1) - GOV.UK

This document cannot duplicate the extensive guidance mentioned above, and as stated at the start, this is a complex area and professional specialist VAT advice should be sought.

If the building is a former local authority owned building, consideration might be given in appropriate circumstances to getting the local authority to do demolition works or some renovation/build as an in-kind contribution because they can reclaim VAT, avoiding the need for the charity to register for VAT. Registering for VAT because of a construction project can add VAT to the delivery of services, room hire and activities going forward. The long-term impact of this will need to be considered before making that decision.

Capital Goods Scheme - Capital Goods Scheme (VAT Notice 706/2) - GOV.UK
The Capital Good Scheme (CGS) applies where an organisation has purchased or invested in a capital asset exceeding £250k. In a community business setting this is often about the acquisition or redevelopment of a community or heritage building.
Where partial exemption applies, and the organisation has exercised an "Opt to Tax" (i.e. to allow a reclaim of some VAT on the construction costs), then for a period of 10 years from completion, the organisation has to calculate the actual partial recovery of VAT rate (based on its trading) and compare to one tenth of the VAT claimed in the original plan. Any difference needs to be adjusted for and may result in additional payment to HMRC. Again, professional specialist VAT advice should be sought.

Capital finance plan

Once initial construction cost estimates are known, a start can be made on developing a capital finance plan which details the various sources of finance for the project, along with any non-financial contributions. The mix may include:

- use of own funds
- capital grant funding (including principal and matched funding)
- social investment & loan finance
- community shares
- crowdfunding
- donations
- in-kind contributions
- sweat equity (own, or volunteer labour)

As the project develops, the initial cost estimates will be refined and updated as the plans become more detailed, and the capital finance plan will need to be updated accordingly. Capital grant funding may only be available within tight timeframes. During the time it may take to assemble a capital financial package, some grant funds may no longer be available, and the finance mix will have to be reconsidered. Where the full amount cannot be reached, it may be necessary to consider phasing the development in line with available funds.

More information on Capital Finance can be found on the MyCommunity website:

- Securing funding for your capital project

- Capital Funding Directory
- Social investment
- Community Shares Finance Guide

Revenue costs – working capital

It is quite usual when raising funds for capital development to include an element of revenue funding as 'working capital' to cover some of the initial running costs while income streams from the building are developing over the first few months or years of operation.

The key to understanding the level of funds needed is to have a realistic cashflow forecast which shows the expected time to reach break-even and move into generating a surplus. It is important that the cashflow is grounded in realistic assumptions that are clearly stated for income and expenditure across the period. It should aim to adopt a generally conservative position and not be overly optimistic.

Procurement

The route for the procurement of building contractors will vary depending on the scale of the project (refurbishment/alterations/extensions/new construction). There may be specific procurement requirements from funders or lenders to demonstrate value for money to consider.

Tender documentation

It will be necessary to prepare and/or collate tender documentation in sufficient detail to enable a tender or tenders to be obtained for the project. Tenders ideally should contain a full package of drawings and a written specification plus quantity surveyors' Bill of Quantities and Health and Safety requirements.

Tender action

Potential contractors and/or specialists for the project will need to be identified and invited to bid, and the competing bids then evaluated. It is usual for 3 or 4 contractors acceptable to the project client and funders/investors to be asked to bid. The choice of contractors selected to bid may be influenced by funders and key stakeholders who may have approved lists of contractors. Ideally contractors should be chosen who can do the work and have worked on similar projects and with similar organisations in the past. Fees are due to the quantity surveyor (QS), engineers and architect, if used, at this point.

For larger contracts, some investors may require their representatives to be present at the official opening of tenders, and most will want to receive the tender report which is usually prepared by the QS to the client on all the returned tenders with a recommendation on whether to proceed with a contractor. This is usually followed by a negotiation on the contract sum with the selected contractor. This takes place between the QS and architect to look at any outstanding details or provisional sums in the tender.

Project management

Many projects fail because of inadequate management, for example going over budget, not having sufficient controls in place, poor governance, a failure to understand risks or potential problems.

There are various levels of project management. The overall management of a project will involve:

- preparing and maintaining the project plan
- financial management (for more complex projects, a separate person responsible for financial management may be brought in to support the project manager)
- contract management
- liaison with funding bodies, partners and stakeholders
- liaison with the professional team and contractor
- preparing and submitting administrative and financial returns to funding bodies.
- monitoring – ensuring different elements of the project are delivered on time, to budget and in accordance with the project brief, plans and specifications, and monitoring risks at each stage
- developing and/or agreeing solutions to unforeseen circumstances that require changes to the project
- reporting on progress including any issues, problems, or changes to the project and budget
- managing other project delivery staff, if applicable.

For small scale renovation/alteration projects, it might be possible to project manage in-house provided you have capacity and skills to dedicate someone to the role or set up a project management team with the right skills. The project manager/team should report regularly to the board on project progress and flag up any issues that might result in cost overruns or changes to delivery timescales.

There is another level of project management. This focuses on the management of the construction process itself. Except for quite simple projects, this would normally be undertaken by someone other than the overall project manager/management team, and often by a professional construction project manager from a building consultancy practice. Alternatively, they may be suggested by the Architect or Quantity Surveyor having worked with them before, or else it could an additional service they provide.

The project manager will oversee the construction process from start to finish. The project manager can manage all aspects of a construction project on behalf of the client, including planning, budgeting, scheduling, contractor selection, and quality control to ensure projects are delivered on time, within budget, and to high standards. They act as the client's representative, coordinating architects,

contractors, and suppliers, mitigating risks, and providing regular updates throughout the project lifecycle, from the initial briefing to post-construction.

Handover

At building handover, the responsibility for the project passes from the contractor, back to the owner or manager of the building, along with responsibility for insurance and security.

The Architect will issue a certificate of practical completion.

Close attention should be paid to snagging and identifying any defects during the defects liability period. Some building contracts hold on to some of the build cost until completion (usually 5%) and then hold on to a further amount for any defects for 12

months after the build (usually 2.5%). You should avoid paying any retention on your contract until you are satisfied any defects have been properly rectified. It is often the case for contractors and professional advisors to be less engaged in the project at this point, and you may find you have to deal with defects and teething problems alone. Once the defects period has expired and any defects addressed, a certificate of making good defects is issued and any retention released.

You should make sure that all documentation relating to the building is handed over at this point including a full set of drawings showing all services, drainage and metering arrangements, operating instructions for all appliances and systems, and any warranties or guarantees.

Further resources

There are resources and webinars on the Assets Hub on My Community covering all aspects of acquiring, developing, refurbishing and managing community buildings.

These include resources:

- Capital Funding Directory
- Writing a business plan for a capital project
- Assessing the feasibility of a community asset project
- Revenue funding sources to support project development costs

Transforming Community Spaces webinars:

- Securing funding for your capital project
- Renovating and adapting your space to meet community needs

- Taking your project from testing viability to a detailed business plan
- Why community engagement is key to your success
- Managing a community building
- Succession planning: community shares & community assets
- How community assets can benefit from climate action and energy efficiency
- Renting your space for the benefit of your community

Locality believes in the power of community to transform lives. As the leading national experts on community assets, we help communities take ownership of land and buildings, manage finances and governance, and connect with others running similar spaces - find out more.

locality

the power of community

Locality is the national membership network for community organisations that bring local people together to meet local needs. Locality supports local community organisations to be strong and successful, helping them to build a fairer society. Locality provides specialist advice, peer-learning, resources, and campaigns to create better operating conditions for our members.

Unlock the power in your community with us

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