

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref JMcK/JMcG

Date 24/09/20

Contracts with Significant Variations

From Head of Asset and Procurement Solutions

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Executive Summary

This report notifies the Committee of the contracts completed between 1st April 2019 and 14th August 2020, where the expenditure levels have exceeded the contract award levels by greater than 5% or £25,000. It sets out those contracts awarded with a value below the financial threshold requiring Committee approval.

Recommendations

It is recommended that the Finance and Resources Committee:

- Note the content of this report and the accompanying appendix

The Plan for North Lanarkshire

Priority Improve the health and wellbeing of our communities

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

1. Background

- 1.1 The Councils General Contract Standing Orders (the 'GCSOs') outline financial approval thresholds for contracts for goods, works and services. This report details Works (construction contracts) for above £5,000 but less than £2,000,000 where funding has previously been approved in line with GCSO's.
- 1.2 The Councils Financial Regulation, (13.4) Significant Variations, details the threshold of variances where reporting is required.
- 1.3 The Head of Asset and Procurement Solutions is required to notify Committee on a periodic basis of any such contracts containing significant variations.

2. Report

- 2.1 The Councils Financial Regulation state, any variations where the outturn/expected costs exceed the tendered contract price by the higher of £25,000 or 5%, or where the outputs/outcomes achieved by the expenditure differ significantly from those originally

envisaged, shall be reported by the Executive Director or appropriate Officer to the relevant Spending Committee at the earliest opportunity.

- 2.2 Contracts awarded by the Head of Asset and Procurement Solutions under the £2,000,000 Committee financial approval threshold for works in the period 1st April 2019 and 14th August 2020 containing Significant Variations are detailed in Appendix 1.
- 2.3 Due to the nature of construction contracts a flexible approach is required to manage contract deliverables and desired outcomes and typically this is achieved by the inclusion of a contingency allowance to address unknown quantities or abnormalities.
- 2.4 Any construction works undertaken within the Council's portfolio may encounter issues that can result in additional costs after work has commenced. Asbestos in particular is problematic and costly to address, especially within the Council's ageing property estate. The rerouting of service provisions is another contributing factor with other expenditure being attributed to health and safety issues including addressing fire stopping issues, alarm/CCTV systems and additional ICT requirements. Any additional works being added to the contract following contract award will increase the overall contract sum.

3. Equality and Diversity

- 3.1 Fairer Scotland Duty - No impact under the Fairer Scotland Duty in relation to this report
- 3.2 Equality Impact Assessment - No impact under the Equality Legislation in relation to this report.

4. Implications

- 4.1 Financial Impact - The current Capital Programme will be redefined to accommodate this additional expenditure and continue to promote Best Value for future Council Capital Contracts.
- 4.2 HR/Policy/Legislative Impact – Contract variances are compliant with Financial Regulation, GCSOs and procurement legislation.
- 4.3 Environmental Impact - There are no sustainability impacts directly arising as a result of this report.
- 4.4 Risk Impact - Contract management procedures may be susceptible to financial claims and legal challenge if they are not discharged in accordance with Contract Conditions, Financial Regulation, GCSOs and procurement legislation.

5. Measures of success

- 5.1 Contracts support the delivery of Council and service priorities.
- 5.2 Robust contract monitoring with detailed documentation outlining variance's that is fully transparent and auditable.

- 5.3 Contractors supplier management processes, fully aligned with the Councils Financial Regulation, GCSO and procurement legislation.
- 5.4 Contracts containing significant variances are managed by the Council and are compliant with Financial Regulations, GCSOs and procurement legislation.
- 5.5 The Council's Contract Register and budgetary monitoring systems are kept updated by services and management information is comprehensive and accurate.
- 5.6 Best Value is both demonstrable and achieved.

6. Supporting documents

- 6.1 Appendix 1 – Summary of construction contracts containing Significant Variations.

A handwritten signature in black ink that reads "James McKinstry". The signature is written in a cursive style with a long horizontal stroke at the end.

James McKinstry
Head of Asset and Procurement Solutions

APPENDIX 1

Summary of construction contracts containing Significant Variations:

Project Title	Final Out-turn	Tender Amount	Variance	Variance as a %	Significant Variance value
Motherwell, Taylor HS: Replacement of Cladding to First Floor, Installation of New Windows & New Main Entrance	£1,852,776.69	£1,677,904.69	£174,872.00	10.42%	£174,872.00
NDEE (Non-Domestic Energy Efficiency) Framework (Phase II)	£1,126,506.25	£1,040,994.00	£85,512.25	8.21%	£85,512.25
Motherwell Civic Centre Alterations to Offices on Ground Floor, First Floor Break Out, Fourth Floor & Fifth Floor	£242,121.06	£164,430.28	£77,690.78	47.25%	£77,690.78
Seven Lochs Project - Coatbridge, Drumpellier Country Park - Re-development of Visitor Centre (Main Contract)	£533,422.02	£476,774.60	£56,647.42	11.88%	£56,647.42
Airdrie, St Margaret's High School - Refurbishment of Drama/Art/Music Departments (LLPM16050)	£397,958.31	£343,092.04	£54,866.27	15.99%	£54,866.27
Wishaw, 48 & 36 Roberts Street - Demolition of Sandstone Buildings	£172,338.50	£132,038.50	£40,300.00	30.52%	£40,300.00

Airdrie, 8-10 Graham Street - Roof and Wall Stabilisation Works, Phase 1	£121,550.41	£90,796.06	£30,754.35	33.87%	£30,754.35
Coatbridge, 122-126 Bank Street - Demolition (SXL Lot 2, Option 1)	£160,995.46	£132,462.00	£28,533.46	21.54%	£28,533.46
Airdrie, Victoria Primary School - Alterations to a classroom to form a fixed storage area	£14,543.17	£9,889.00	£4,654.17	47.06%	£4,654.17
Airdrie, Victoria Primary School - External Playground Works	£49,907.67	£34,149.92	£15,757.75	46.14%	£15,757.75
Play Areas at Whifflet, Calder and Gartcosh - Surfacing Works	£48,281.50	£37,565.00	£10,716.50	28.53%	£10,716.50
Wishaw, St Aidan's Primary School - Classroom Alterations	£14,145.05	£12,256.76	£1,888.29	15.41%	£1,888.29
Coatbridge, Drumpellier Nursery - Demolition	£82,010.00	£72,732.00	£9,278.00	12.76%	£9,278.00
Cumbernauld, Kildrum Primary School - New Teaching Kitchen	£20,698.54	£18,419.26	£2,279.28	12.37%	£2,279.28

Cumbernauld - Replacement Windows & Curtain Walling - Fleming House	£168,859.20	£153,944.70	£14,914.50	9.69%	£14,914.50
Cumbernauld, St Andrew's Primary School - Installation of New Door Fob Entry System	£12,517.72	£11,501.83	£1,015.89	8.83%	£1,015.89
Airdrie, 8-10 Graham Street Roof and Window Replacement including External Refurbishment - Phase 2	£269,845.69	£248,682.27	£21,163.42	8.51%	£21,163.42
Wishaw, St Aidan's High School - Car Park Repairs	£49,664.80	£45,833.00	£3,831.80	8.36%	£3,831.80