

LANCASHIRE COMBINED FIRE AUTHORITY

RESOURCES SUB-COMMITTEE (CONTRACT VARIATIONS)

Thursday, 29 August 2019, at 10.00 am in the Lightfoot 1, Service Headquarters.

MINUTES

PRESENT:

Councillors

F De Molfetta
H Khan
D O'Toole
D Stansfield

Officers

K Mattinson, Director of Corporate Services (LFRS)
I Riding, Head of Property (LFRS)
M Nolan, Clerk and Monitoring Officer to the Authority
D Brooks, Principal Member Services Officer (LFRS)

In attendance

Gammack, IKG Consulting

1/19 APPOINTMENT OF CHAIRMAN

The Clerk invited nominations for the appointment of Chairman and County Councillor Frank De Molfetta was proposed and seconded. No further nominations were received.

RESOLVED: - That County Councillor Frank De Molfetta be appointed Chairman of the Resources Sub-Committee (Contract Variations).

2/19 APPOINTMENT OF VICE-CHAIRMAN

The Chairman invited nominations for the appointment of Vice-Chairman and County Councillor David O'Toole was proposed and seconded. No further nominations were received.

RESOLVED: - That County Councillor David O'Toole be appointed Vice-Chairman of the Resources Sub-Committee (Contract Variations).

3/19 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Tony Martin.

4/19 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

5/19 BACKGROUND TO CONSTRUCTION PROJECTS

The Director of Corporate Services advised Members that at the Resources Committee meeting held in March 2019 (resolution 24/18 refers) it was agreed to establish a politically balanced Resources Sub-Committee of 5 Members to scrutinise contract variations on building projects. This report provided background information regarding construction procurement, processes, project risks and the principal reasons for contract variations.

The Director of Corporate Services introduced Mr I Gammack, IKG Consulting who presented the report. Explanations were provided for the “life cycle” of a “typical” construction project. Where monetary values were stated, they generally referred to a large Fire Station Project in scale and value.

Members discussed the various stages which were: A - Viability; B – Initial design development; C – Detailed design and preparation of contract price and D – Construction. It was noted that project variations could result from any change to the agreed scope and they generally fell into 4 categories: i) Errors; ii) Design Development; iii) Risks; and iv) Changes.

In response to a question from the Chairman, Mr Gammack advised that provisional sums frequently changed (such as those identified for utilities) given it was difficult to obtain a fixed price for these for longer than 3 months. In addition, circumstances could change during the build time therefore, a provisional sum was put into the contract and sometimes these changes were outside our control. In addition, there could be delays waiting for services to be provided; which was a risk as delays came at a cost.

In response to a comment by County Councillor O’Toole, Mr Gammack confirmed that the Building Contract enshrined rates, overheads and profits. The contractor was entitled to add these costs which was an industry standard. It was the role of the contract administrator to ensure that any changes, including prices were in line with the agreed contract.

The Director of Corporate Services confirmed that where change requests were made (to accommodate new equipment or changing requirements), these would always be assessed for suitability and cost before a decision was made.

Mr Gammack advised that risk was covered in many ways through contract contingencies or budget contingencies; however, any delay came at a cost. He provided an example of asbestos removal which cost considerably more than the initial survey indicated and this delayed the project over 20 weeks. It was noted that the contract administrator had a duty to assess critical path delays and consider ways to mitigate the additional costs ie: change the specification.

Members noted that there were a number of tools and methods which could and should be used by Employers to mitigate the effects of and manage risk and change, these included:

- Contingency Allowances;
- Identification and Refinement of Provisional Sums (Surveys);
- Careful Selection of Contract Forms and Procurement Routes;
- Early design Fix and No changes;
- Speed of Decision Making.

RESOLVED:- The Sub-Committee noted and endorsed the report.

6/19 EXCLUSION OF PRESS AND PUBLIC

RESOLVED: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

7/19 CONTRACT VARIATIONS PROCESSES

(Paragraph 3)

Further to the earlier report on the agenda which set out some of the challenges in letting and managing contracts for construction projects the Director of Corporate Services presented this report which set out some of the issues to consider in establishing further governance processes.

Following consideration of the current rules relating to the monitoring of contract variations, which were set out in the approved financial regulations, Members agreed to an individual (not cumulative) variation threshold of £25k and that the Chairman and Vice-Chairman of this Sub-Committee (the current CFA Chairman and Leader of the Opposition) be delegated authority to approve any contract variations over the threshold which would be reported to the subsequent Resources Committee thereby negating the need for further meetings of this Sub-Group.

RESOLVED:- That:

- i) an individual (not cumulative) variation threshold of £25k be approved;
- ii) the Chairman and Vice-Chairman of this Sub-Committee (the current CFA Chairman and Leader of the Opposition) be delegated authority to approve any contract variations over the £25k threshold, which would be reported to the subsequent Resources Committee; and reappointments be made on an annual basis by the full Authority; and
- iii) this agreed process negated the need for further meetings of this Sub-Group.

M NOLAN
Clerk to CFA