

North Lanarkshire Council Report

Housing Committee

Does this report require to be approved? Yes No

Ref **Date** 07/05/25

Housing Contracts Overspend Report

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– via MS Teams

Executive Summary

The purpose of this report is to advise Committee of overspends that have arisen across a number of existing contracts and the reasons behind these, these contracts are noted below:

- MTC for Battery Storage and PV's Contract
- Shawhead low rise demolition
- MTC for Repairs and Maintenance to Windows and Doors
- MTC for Controlled Door Entry
- Jackson Court Demolition
- Coursington, Allan and Draffen Tower Demolition

Recommendations

It is recommended that the Committee acknowledge the overspends on the contracts noted and the remedial action that has been implemented to avoid similar overspend situations in future contracts.

The Plan for North Lanarkshire

Priority	Improve North Lanarkshire's resource base
Ambition statement	(14) Ensure the highest standards of public protection
Programme of Work	Invest in North Lanarkshire

1. Background

- 1.1 In line with the financial regulations, committee should be advised of any overspend situations on contracts exceeding 5% or £25,000 of the original contract sum.
- 1.2 There are a variety of reasons for the contract overspends ranging from unforeseen delays, unforeseen asbestos, post covid inflation and structural anomalies. A summary of the initial contract award details are noted below:

MTC for Battery Storage and PV's Contract

- 1.3 A Measured Term contract for Battery Storage and PV's was approved for award at committee in February 2023. The contract was awarded to Saltire Facilities Management Limited for an initial period of 9 months with optional extension periods up to 24 months.

If all extension options were invoked it was anticipated the contract would be in place until January 2026. The total value of the contract awarded was £9,000,000.

Shawhead low rise demolition

- 1.4 The Demolition of the Shawhead low rise flats was awarded in line with the General Contract Standing orders in May 2022. The Contract was awarded to MGR Industrial Services Limited at a value of £645,502.20 with an estimated programme duration of 45 weeks.

MTC for Repairs and Maintenance to Windows and Doors

- 1.5 A Measured Term contract for Repairs and Maintenance to Windows and Doors was approved for awarded out with committee cycle in May 2022 and reported for noting in August 2022. The contract was for an initial period of 20 months with the option to extend up to a further 24 months. The total value of the contract award was £7,500,000. The contract was awarded to Walker Profiles Limited.

MTC for Controlled Door Entry

- 1.6 A Measured Term contract for Installation of new controlled door entry systems was awarded in line with the General Contract Standing Orders in September 2022. The contract was for an initial period of 16 months with the option to extend for a further maximum period of 24 months. The total value of the contract award was £1,987,000. The contract was awarded to DM Integrated Systems Limited.

Jackson Court Demolition

- 1.7 The Demolition of the Jackson Court was awarded in line with the General Contract Standing orders in March 2023. The Contract was awarded to JCH Plant Hire Ltd at a value of £1,421,117.00 with an estimated programme duration of 78 weeks.

Coursington, Allan and Draffen Tower Demolition

- 1.8 The demolition of the Coursington, Allan and Draffen Towers in Motherwell was awarded in line with the General Contract Standing orders in April 2022. The Contract was awarded to JCH Plant Hire Ltd at a value of £1,930,131.00 with an estimated programme duration of 88 weeks

2. Report

2.1 MTC for Battery Storage and PV's Contract

As noted in section 1.3 the contract was awarded for an initial value of £9,000,000. This programme enhanced the energy efficiency of the properties and allowed tenants to see tangible benefits from the works carried out. Given the success of the programme and the ongoing rise in energy costs the programme was accelerated and

work commenced on reprocurring a replacement contract earlier than the anticipated January 2026 contract end date.

While the contract has not overspent at this time, works have been instructed which will exceed the contract value prior to the contract end date. It is anticipated the maximum overspend will be an additional 15% of the contract sum, taking the total spent through this contract to £10,350,000. You will note in your papers a Contract Award paper at Item 12.

2.2 Shawhead Demolition

As noted in section 1.4 the contract was awarded for an initial value of £645,502.20, however, the programme suffered multiple delays, and a significant variation was identified. Once demolition works had commenced additional insulation boards were discovered which affected the separation of materials for recycling and increased waste disposal costs. The final account for the MGR contract was £935,072.94 as a result.

Future demolition contracts have more comprehensive pre demolition surveys built into the programme to minimise the likelihood of unforeseen materials arising onsite.

2.3 MTC for Repairs and Maintenance to Windows and Doors

As noted in section 1.5 the contract was awarded for an initial value of £7,500,000. Following the impacts of covid 19 and the sharp rise in inflation at that time, the contract included an allowance in the contract value for fluctuations in the existing pricing of approximately 25%, however, inflation on this contract increased by over 33%, resulting in the contract spend being utilised earlier than originally anticipated.

Re-procurement options were reviewed, however, this work now falls within the scope of the Enterprise Housing contract, consequently, any short term contract options would be unfavourable to the market, therefore works have continued under the existing contract and will transition into the Enterprise Housing contract in January 2026. It is anticipated the overspend on this contract will be approximately £1,250,000, taking the final account to £8,750,000.

2.4 MTC for Controlled Door Entry

As noted in section 1.6 the contract was awarded for an initial value of £1,987,000. It was anticipated that the contract would be in place until January 2026, however, the success of the programme has resulted in works being accelerated therefore utilising the contract value earlier than anticipated.

This programme of work is key for minimising antisocial behaviour within shared common areas and helps to alleviate safety and security concerns of tenants. A replacement contract is being prepared, it is anticipated a replacement contract award will be submitted for approval in late 2025.

To date the overspend is approximately 10% higher than the original contract value, with further works instructed, the additional work instructed will result in a final account that is 15% higher than the original contract value of £2,285,050.

An alternative short term measure will be implemented thereafter to minimise the overspend on this contract.

2.5 **Jackson Court Demolition**

As noted in section 1.7 the contract was awarded for an initial value of £1,421,117.00. Committee may recall previous reports documenting the technical complexities with this project.

In May 2024 the main contractor discovered significant quantities of previously undetected asbestos embedded within the structural joints of the building. This unexpected finding, which was not identified in earlier surveys, was a result of the unique construction method employed in the building, making it difficult to detect through standard survey techniques. As a result, the contract was mutually terminated, however, additional costs were incurred prior to the termination resulting in an overspend of £278,972.68. The final account total for the project was £1,700,089.68, representing an overspend of nearly 20%.

Although there has been an overspend on this contract, it should be noted that the cost would always have been a cost to the Council for this work, however, this was not included in the original contract sum as this was unknown at the time.

2.6 **Coursington, Allan and Draffen Tower Demolition**

As noted in section 1.8 the contract was awarded for an initial value of £1,930,131.00.

Committee may recall previous reports documenting the technical complexities with this project.

This contract suffered a number of site-specific issues including substantial levels of unrecorded asbestos, delays with service disconnections and a significant structural detail which was discovered once demolition works were progressing on site.

As a result of the structural detail that was found, the original methodology for the demolition was no longer able to be utilised. The contract with the original contractor was mutually terminated whilst the Council employed specialist demolition engineers to investigate alternative methods of demolition.

Prior to the termination additional costs were incurred resulting in an overspend of £1,811,356.53. The final account total for the project was £3,741,487.53.

Although there has been a significant overspend on this contract, it should be noted that the cost would always have been a cost to the Council for this work, however, this was not included in the original contract sum as this was unknown at the time.

Financial / Budget Consideration

- 2.7 The costs associated with delivery of the contracts above will be contained within the HRA budget.

Price Savings / Increases

- 2.8 No further increases are anticipated, new contracts to supersede the existing agreements noted above are now nearing conclusion and it is anticipated that any new works will be issued under the new contracts to prevent further overspends arising. In

addition, the stand-alone demolition contracts have now been concluded and new contract arrangements are now in place for the follow on works.

Price Stability

- 2.9 Existing contracts are being concluded, these will be superseded with new contracts that will be updated annual in line with BCIS for contracts spanning multiple years, however the demolition contracts are fixed price contracts as these will be in place for a shorter duration.

3. Measures of success

- 3.1 New contract arrangements will be put in place to limit the risk of further overspends on existing contracts.

4. Supporting documentation

N/A



Stephen Llewellyn
Chief Officer (Housing)

5. Impacts

<p>5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.2 Financial impact Does the report contain any financial impacts? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>All costs associated with the contracts in this report will be contained within the HRA budget.</p>
<p>5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.4 Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>The Council has an obligation to operate contracts in an open and transparent manner, any overspend on a contract increase the risk profile of the contract. A number of the overspend situations were out with the Councils control. Where the overspends were known in advance colleagues in Legal and Democratic Solutions were consulted.</p>
<p>5.5 Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>

If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk

Yes No

5.6 Technology / Digital impact

Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi?

Yes No

If Yes, please provide a brief summary of the impact?

Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?

Yes No

5.7 Environmental / Carbon impact

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes No

If Yes, please provide a brief summary of the impact?

5.8 Communications impact

Does the report contain any information that has an impact on the council's communications activities?

Yes No

If Yes, please provide a brief summary of the impact?

5.9 Risk impact

Is there a risk impact?

Yes No

If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?

There were inherent risks associated with each of the contracts where an overspend has occurred, these have been recorded on the project specific risk registers.

5.10 Armed Forces Covenant Duty

Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)?

Yes No

If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.

5.11 Children's rights and wellbeing impact

Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?

Yes No

If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).

If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?

Yes

No