

October 2021

CECA NEC4 Bulletin

CECA Member Briefing:

Bulletin No. 10 – Float, types and ownership

Introduction

Training and development support is a key part of CECA's core offer for its membership and working in conjunction with GMH Planning it has delivered a programme of training events around the NEC Form of Contract across several CECA UK regions.

In addition to this training, a series of monthly NEC Contract Bulletins are being produced for both Contractors and Subcontractors to improve practical awareness on key topics within the NEC. The coverage, whilst not exhaustive, is intended as a general overview on some of the contractual principles to increase a wider understanding in support of more sustainable outcomes.

For the purposes of these bulletins a contractual relationship between a "Client" and "Contractor" is assumed. The same rules/principles also apply if the contractual relationship is between a "Contractor" and a "Subcontractor" and so the term "Contractor" will be used to describe both parties.

These bulletins are based on the latest NEC4 family of contracts, but the same principles and rules would apply where parties are engaged under an NEC3 form of contract.

Coming next month:

Bulletin Nr 11: Contract data parts 1 & 2

Please respond to Leone Donnelly should you require any further information on the CECA NEC4 Bulletins via e-mail: leonedonnelly@cecasouth.co.uk.

For further advice or guidance on the NEC details please visit www.gmhplanning.co.uk or contact GMH Planning Ltd by e-mail glenn@gmhplanning.co.uk.

NEC4 Contract Bulletin Nr 10 – Float, types and ownership

NEC Contract focus month - Different types of programme float and who "owns" them

A commonly asked contractual question is "who owns the float on a Contractor's programme". There is not a straightforward answer to this because there are different types of float to be considered. This bulletin will consider these different types of float and how they should be shown on the programme, along with who "owns" them in the event of them being used up (particularly with regards to compensation events).

Total float (and "free float")

Total float is the type of float that clause 31.2 references as "float" and is a requirement to be shown on each programme that is issued for acceptance. Total float is the amount an activity can move without affecting the critical path. By logic linking activities on a programme, the planning software will identify which items are critical (i.e. have zero total float) and those that could slip without affecting the critical path. The programme will confirm how many days an activity can move before it would become a critical path activity.

Free float is slightly different as it identifies how much an activity can move without affecting a non-critical item. By definition, it must be equal to or less than the total float value. For example, if an activity on the programme shows as having twelve days total float and five days free float, it means that item could slip by five days without affecting any other activity. It could also slip a further seven days, and whilst that will not affect the critical path it could be impacting some other non-critical activities (which may or may not be an issue).

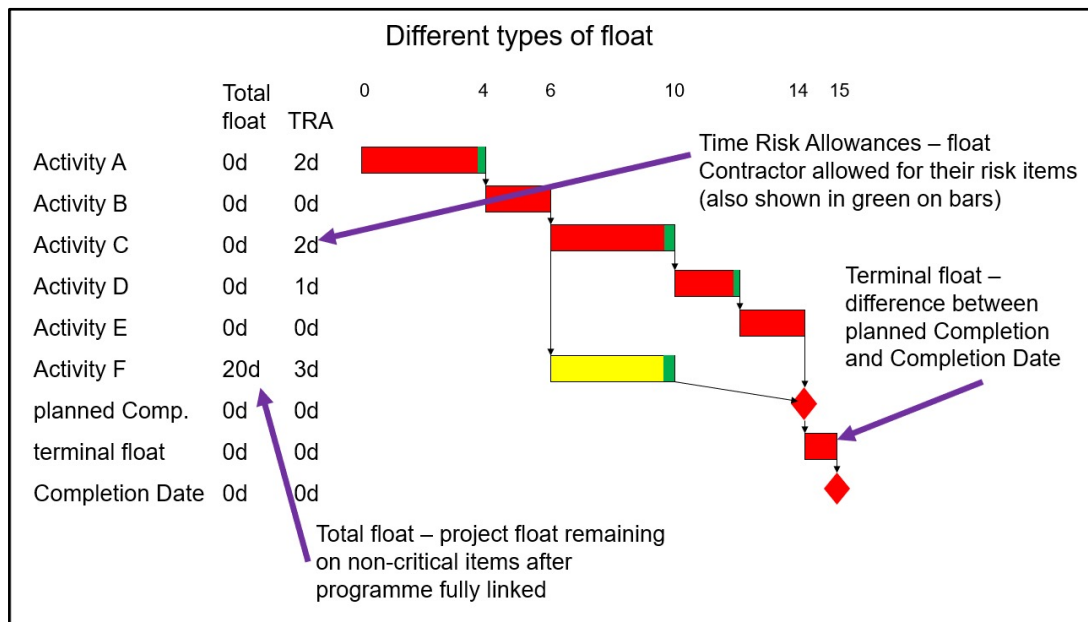
Total float (and free float) is shared contractually between the Parties and NOT solely owned by the Contractor. It is available to absorb the effects of compensation events (i.e. the Client can use them) and Contractors own delays or rescheduling of the logic on their own programme. If an item has fifteen days float and a compensation event delays that activity by ten days, it will not influence planned Completion and therefore there would be no effect on the Completion Date. Whilst the compensation event would be assessed in terms of Defined Cost, there would be no time effect that the Contractor can assess (other than perhaps a bit of increased risk due to less float being available). If that same activity had previously been delayed due to the Contractor's own procurement problems and there was now only five days float before the compensation event occurred, the effect of that ten-day compensation event WOULD now impact the planned Completion by five days. In turn that time delay would be assessed as part of the compensation event (and once implemented, Completion Date would be entitled to be moved by five days).

Time Risk Allowances: Clause 31.2 also requires a Contractor to show on a programme issued for acceptance "time risk allowances". It is a separate requirement to that of "float" so clearly is something different that needs to be shown separately on the programme. In simple terms, time-risk allowance is the proportion of an activity duration that has been assessed by the Contractor as their risk they have allowed for. Numerous types of risk such as certain ground conditions, weather, material supply issues will be the Contractors risk and therefore need to have some kind of allowance included to make their programme achievable. Without any time risk allowance included within programme activities, it is unlikely that the programme would be achieved and therefore could be considered unrealistic (and a reason for a Project Manager to reject a programme under clause 31.3). Where relevant, programme activities should have time risk allowance built in, particularly on critical path items, to give a Project Manager more confidence that the programme can be achieved.

Time risk allowances ARE owned by the Contractor. They are NOT available to be used up by compensation events. If an item on the critical path had zero float but showed five days' worth of time risk allowance, it does not mean that a compensation event could delay that activity by five days without affecting planned Completion. That compensation event would move that activity including time risk allowance by five days, hence planned Completion would move by five days. The associated compensation event should include the overall five days delay to the programme within that quotation (and Completion Date should move by five days once implemented). The easiest and probably most effective way to demonstrate time risk allowance is to just populate a text column on the programme showing the amount of days (or hours) that the time-risk allowance period has been included within that activity duration.

Terminal float: If the Contractor is able to show that where planned Completion is ahead of the Completion Date, this is known as terminal float. This type of float is again owned by the Contractor and is not available to be used up by

compensation events. Let's say a Contractor is showing planned Completion one week earlier than the Completion Date, and they are denied access by one week. This in turn moves everything on the critical path (along with planned Completion) by one week and at that point aligned with the Completion Date. Assuming the denied access is a compensation event, once implemented, the Completion Date would also move by one week, hence reinstating the one-week terminal float that existed before the compensation event occurred.



Summary – The Contractor is required to show total float, time risk allowances and terminal float (if any) on their programme issued for acceptance. Total float is shared by both Parties and can be utilised by either party, whereas time risk allowances and terminal float are owned by the Contractor and retained in the assessments of any compensation events.

For further advice or guidance on the NEC details please visit www.gmhplanning.co.uk or contact GMH Planning Ltd by e-mail glenn@gmhplanning.co.uk.