



CABINET – 3RD FEBRUARY 2016

SUBJECT: SMALL LOTS – REVIEW OF CONTRACT ARRANGEMENTS

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER

- 1.1 The attached report was considered by the Policy and Resources Scrutiny Committee on 19th January 2016, having previously been considered by the Caerphilly Homes Task Group on 10th December 2015. The report proposed changes to the contract arrangements for external works in the Eastern Valleys and sought the views of Members on these proposals, prior to its presentation to Cabinet.
- 1.2 The external works within the Eastern Valleys are being undertaken through a series of small lots contracts. Experience over the last 2 years has given rise to concerns that if continued reliance is placed on this method alone there are significant risks that this part of the WHQS programme will not be delivered by 2020. A review of the contract arrangements has concluded that the external works on 2 large estates (Cefn Fforest and Ty Sign) should be undertaken by alternative means and there is an opportunity to link this with the procurement of new contract arrangements for external works in the Lower Rhymney Valley.
- 1.3 Officers referred to Section 4.17 of the report, which suggested that the location restriction remain for the residual value of the small lots work. Members were advised that it was proposed to make an amendment to the report in that this location restriction be removed (and therefore tender invites for small lots contracts be extended to contractors located outside the county borough. Discussion took place regarding the rationale behind this proposal and Members sought assurances that the change in these contract arrangements would be of long-term benefit to the Authority. Officers explained that due to a change in the market conditions, there is a shortage of local contractors to fulfil the available small lots contracts (and therefore a need to extend the location criteria to include a wider geographical area).
- 1.4 Members expressed a wish to see local contractors used wherever possible to fulfil small lots contracts and discussion took place as to the feasibility of preference being afforded to such businesses. Officers outlined the associated procurement process, explaining that should the location restriction be removed, all bids would be assessed using a fixed set of criteria and that precedence could not be given to local contractors. Members were reminded of the support and encouragement given by the Authority to local businesses and were assured that this would continue. Members requested that their views on this matter be reported to Cabinet.
- 1.5 Arising from the discussion during the course of the meeting, and in taking into the recommendation of Officers in respect of the removal of the Caerphilly location restriction for small lots contracts, it was moved and seconded that an amendment be made to Recommendation (iii) of the Officer's covering report to reflect this proposal. Subject to this amendment, and by a show of hands and the majority present (and in noting there was 1 abstention) it was agreed that the Review of Contracts Arrangements in relation to Small Lots be supported. As such, it was recommended to Cabinet that:-

- (i) there be a reduction in the amount of work to be procured via small lots over the remaining period of the programme in view of the risks of not completing this by March 2020;
- (ii) the external works on the Ty Sign and Cefn Fforest estates be incorporated within the procurement of new contract arrangements for external works in the Lower Rhymney Valley;
- (iii) the adoption of 2 value bands be supported for small lots contract packages over the remainder of the programme period, subject to review in light of tender returns, and the Caerphilly location restriction for the residual value of the small lots work be removed;
- (iv) the Project Board continue to endorse the award of any small lot contract with a final tendered sum that exceeds the upper limit of either value band range where appropriate.

1.6 Members are asked to consider the recommendations.

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Appendices:

Appendix 1 Report to Policy and Resources Scrutiny Committee on 19th January 2016 – Agenda Item 9