

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	1 <sup>st</sup> July 2014
<b>Report of:</b>	Highway Maintenance Manager
<b>Subject/Title:</b>	Contract for the Supply of Salt for Winter Gritting (Ref CE 13/14-90)
<b>Portfolio Holder:</b>	Councillor D Topping, Service Commissioning

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### 1.0 Report Summary

- 1.1 The supply of salt for the treatment of the Cheshire East highway network as part of the Winter Service is currently managed through a contract with Salt Union Ltd based at Winsford. This contract was called-off via a Yorkshire Purchasing Organisation (YPO) Framework Agreement. The call-off contract with Salt Union Ltd expires on 31<sup>st</sup> May 2014 and the Council needs to enter a new contract with a start date in advance of the next winter season.

The YPO has recently re-tendered and put in place a Framework Agreement for a further period of four years from 1<sup>st</sup> April 2014. Salt Union Ltd. has again tendered the most competitive price which is for the supply of brown salt. Both brown and white salt are equally acceptable but brown salt meets the Council's requirements and is available at the lowest price. Salt Union Ltd are the only supplier of brown salt on the framework and so a direct award can be made to them for the supply of brown salt.

This paper outlines the options available to the Council for the re-procurement of a salt supplier.

### 2.0 Recommendation

- 2.1 That Cabinet approve the use of the YPO Framework Agreement to enter into a contract with Salt Union Ltd for a period of four years (which is the duration of the YPO Framework Agreement).

### 3.0 Reasons for Recommendation

- 3.1 In order to put in place a new contract for the supply of salt for the treatment of the highway network as part of the Winter Service that will deliver a cost effective and quality outcome for the Council. See also 11.3.

#### **4.0 Wards Affected**

- 4.1 Affects all wards.

#### **5.0 Local Ward Members**

- 5.1 Affects all members

#### **6.0 Policy Implications**

- 6.1 The Council needs to consider the environmental implications of transporting significant tonnages of salt over long distances should the contract be awarded to a supplier located further away from the Cheshire East geographical area.

#### **7.0 Financial Implications**

- 7.1 The annual spend on salt for the treatment of the highway network varies considerably but in a normal winter this is approximately £275,000. The 2014-15 approved budget is £272,500, the revised contract rates are forecasting a 3% increase against the winter rate 0% on the Summer rate an increase of between £5k-£10k on the approved budget which the service seek to absorb in year (subject to the severity of the weather). In years with severe winters the amount spent can be as high as £500,000.
- 7.3 The purpose of the decision to award a new contract through the YPO will be to provide a value for money solution for the authority while also taking into account environmental factors.

#### **8.0 Legal Implications**

- 8.1 A Framework Agreement is an overarching contract for the supply of goods or services to meet the overall requirements of contracting authorities entitled to call-off under the Framework Agreement for a maximum period of 4 years.
- 8.2 The YPO Framework Agreement has been identified as a framework agreement that meets the Council's requirements and is compliant with the Public Contracts Regulations 2006.
- 8.3 The Council will be able enter into a call off contract directly with Salt Union as they are the only supplier of brown salt. The Service has set out its reasons why calling off its requirement for brown salt via the YPO Framework Agreement represents value for money. The contract will be drafted by Legal services in accordance with the overall terms of the Framework Agreement.

## **9.0 Risk Management**

- 9.1 All contract agreements are closely monitored throughout the contracted period to ensure that the Council continues to obtain and maximise value for money and consistent levels of service.

## **10.0 Background**

- 10.1 The YPO has recently re-tendered to put in place a Framework Agreement for the provision of rock salt for a further period of four years and Salt Union Ltd, has been appointed on to the framework as the most competitive supplier.. This new YPO Framework Agreement has a commencement date of 1<sup>st</sup> April 2014.
- 10.2 Depending on the severity of the weather conditions in a winter season the authority will typically order between £250 - £500K of road salt per annum. Therefore the full value of the contract over a four year period would be in the range of £1m & £2m and therefore becomes a Key Decision requiring Cabinet approval.

## **11.0 Options**

### **11.1 FORMAL PROCUREMENT PROCESS.**

Due to the level of spend on salt for the treatment of highways in winter conditions a re-tender of the contract would require an EU compliant procurement process to be undertaken. The Council could go out to tender detailing specific requirements for Cheshire East. However, this is not recommended due to the timescales involved and the cost of tendering. It is considered that there would be no benefit in this approach over and above the collaborative options already available – the Council would be dealing with the same supply market and not able to leverage demand with other Local Authorities.

### **11.2 USE EXISTING FRAMEWORK.**

Another option is to board an existing framework. The Yorkshire Purchasing Organisation has put a salt supply framework in place covering a four year period from 1<sup>st</sup> April 2014, which is open for other authorities to use. The YPO have conducted an EU tendering exercise in order to appoint suppliers on to the framework. Cheshire East is permitted to utilise this arrangement.

### **11.3 BENEFITS.**

The benefits of using this framework arrangement and the reason that the framework was set up are to:

- Harness the substantial leverage of public sector spend to achieve maximum value for money.
- Minimise duplication of effort by removing the need for individual organisations to tender or re-tender .

- Increase market competition.
- Enable councils to benefit from the leverage that the Yorkshire Purchasing Organisation are best placed to secure.
- The aim of the new contract will be to make additional cost savings and by utilising the YPO Framework Agreement we will be able to take advantage of the rebate scheme operated by the YPO which may attract up to a 0.65% dividend depending on baseline spend per annum.

Additionally by utilising the framework arrangement and entering a further contract with Salt Union Ltd :

- The Council would be able to take advantage of the arrangements in place to load 50% of it's bulk gritters directly from the salt mine and thereby eliminate the need to provide suitable additional storage facilities in the south of the Borough (at additional capital and revenue cost). The proximity of the salt mine to the Borough means that in periods of severe weather when salt supply is under pressure the Council is less susceptible than other authorities to haulage interruptions.
- The other potential suppliers are based considerable distances from Cheshire East (Newhaven & Ayr, Scotland). By contracting with a local supplier this eliminates the need to transport considerable quantities of the product over great distances and thereby reducing the detrimental effects on the environment.

## **12.0 Access to Information**

The background information relating to this report can be inspected by contacting the report writer:

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