

Finance and Resources Committee

10.00am, Thursday, 30 October, 2014

Adoption of the Scotland Excel Framework Contract for the Supply of Salt for Winter Maintenance on behalf of the City of Edinburgh Council.

Item number 7.16

Report number

Executive/routine

Wards

Executive summary

This report seeks approval from the Finance and Resources Committee, to adopt the Scotland Excel Framework Contract, for the supply of Salt for Winter Maintenance.

This Framework Contract covers the purchase of bulk and bagged salt, delivered to council harbours and depots, and includes associated equipment and products. The duration of the Scotland Excel contract is three years and covers the period 1 July 2014 to 30 June 2017, with an option to extend for one further year to 30 June 2018. Subject to the approval of this Committee, the City of Edinburgh Council will adopt the contract from 1 November 2014.

The estimated value for this framework, over the four year duration of the contract, is £1,352,792 (based on 48 months from 1 July 2014).

Links

Coalition pledges [P30, P44](#)

Council outcomes [CO26, CO19, CO22, CO25](#)

Single Outcome Agreement [SO1, SO4](#)

Adoption of the Scotland Excel Framework Contract for the Supply of Salt for Winter Maintenance on behalf of the City of Edinburgh Council.

Recommendations

- 1.1 It is recommended that the Finance and Resources Committee approves the adoption of the Scotland Excel Framework for the City of Edinburgh Council for the supply of Salt for Winter Maintenance and associated equipment.

Background

- 2.1 The City of Edinburgh Council's current salt contract, which has been in place since June 2010, expired on 30 June 2014. This contract was procured through the Scotland Excel Framework.
- 2.2 This report covers the outcome from the tender for the procurement of salt for winter maintenance, covering the period 1 July 2014 to 30 June 2017, with an option to extend for up to one year. The framework covers bulk and bagged salt delivered to council harbours and depots, and includes associated equipment and products.
- 2.3 Road Services, based within Services for Communities, is the main user of this framework contract in relation to the purchase of bulk salt for winter maintenance.
- 2.4 Salt production in the United Kingdom is limited to only three mines. There are two mines located in England and one in Northern Ireland. There are no salt mines in Scotland. This concentrated production and supply limits competition in bulk salt supply. The distance between the mines and Scottish council delivery points means that shipping is an important element of the delivered cost.
- 2.5 Over the period of the last framework contract (June 2010 to June 2014), Road Services used an average of 10,800 tonnes of salt per annum.

Main report

3.1 This Scotland Excel Framework consists of six Lots, as follows:

Lot	Title	Supplier
1	Bulk Salt - Delivery to Harbour	Not applicable
2	Bulk Salt - Deliver to Depot <i>(*City of Edinburgh Council's preferred supplier)</i>	Cleveland Potash Ltd* Salt Sales Co Salt Union Limited
3	Bagged Salt	Peacock Salt Bunzl Greenham Salt and Grit Solutions Ltd
4	Marine Salt – Delivery to Depot	Peacock Salt
5	De-Icers	Peacock Salt
6	Accessories	Peacock Salt Bunzl Greenham Glasdon UK Ltd

3.2 Following the tender exercise by Scotland Excel the cost per tonne increased from £27.10 per tonne at June 2010 prices to £30.50 per tonne in February 2014, for salt ordered during the summer months (ie between 1 April and 31 October). This is an increase of 12.5% per tonne. The cost of salt ordered during the winter months (ie between 1 November and 31 March) increased by £2.00 per tonne to £32.50 per tonne.

3.3 Cleveland Potash Ltd is the preferred supplier for this Contract. The company is based in the north-east of England and is geographically best placed to supply salt to the east of Scotland.

3.4 The Council replenishes its salt stocks, during the summer months, to take advantage of the lower price per tonne. The last purchase, to replenish stocks, was in April 2014 and was secured at the previous rate of £27.10 as the new framework prices were not due to take effect until 1 July 2014. The terms of the framework contract also allow the Council to top-up stock levels during the winter months at the higher rate of £32.50 per tonne.

3.5 As the original calculations used for the Scotland Excel tender were based on the contract being effective from 1 July 2014, the figures in this report reflect the full four year/48 month period.

3.6 The estimated value for this new framework contract is based on the use of 10,800 tonnes of salt per annum at a rate of £30.50 per tonne, which equates to a cost of £329,400 per annum. A balance of £8,798 is estimated for purchases under Lot 6 – Accessories, providing a total estimated cost of £338,198 per annum. This equates to £1,352,792 over the four years of the contract.

- 3.7 As this is a second generation contract undertaken by Scotland Excel, best value has been achieved by consolidating the number of lots and products following analysis of the management information returned for the previous framework. Over the life of the previous contract, Scotland Excel monitored the price indices for salt which showed an increase of approximately 18% in the general market price for salt.

Measures of success

- 4.1 Taking into account inflation in salt prices, it is a measure of the success of this procurement exercise that the rate of increase has been kept to a minimum. The price increase of 12.5%, via the framework contract, can be compared to an increase of 18% in the average market price.

Financial impact

- 5.1 If the Council adopts the Scotland Excel Framework, and the new price of £30.50 per tonne, this will be an increase of 12.5% however, this compares favourably to a market increase of 18%.
- 5.2 The new contract (based on £30.50 per tonne) will be an increase of £36,720 per annum. This figure will be contained within the Road Maintenance revenue budget.
- 5.3 The costs associated with procuring this contract are estimated at between £10,000 and £15,000.
- 5.4 Any request for price increases from suppliers will be considered by Scotland Excel in accordance with their defined process and evaluated against movement in prices within the fuel and plastics markets.

Risk, policy, compliance and governance impact

- 6.1 To ensure that the contract was awarded to the most capable tenderers, the User Intelligence Group agreed that an open procedure for tendering should be used, consisting of a two stage tendering process. This is as a result of market analysis demonstrating that there is limited capacity in the market place to appropriately service this framework. At the first stage, tenderers were assessed on financial capability, technical/professional capability, supplier self audits and business probity. Tenderers were required to pass this stage to allow their offer to be evaluated. At the second stage of the process, the offers were evaluated against quality and commercial criteria.

Equalities impact

- 7.1 The content of this report has no impact on the Council's Public Sector Equality Duty (PSED).

Sustainability impact

- 8.1 This contract included scored elements relating to community benefits and sustainability. Tenderers were asked to provide details of any community benefits that they could offer with specific regard to the geographical areas they would supply. Scotland Excel will work closely with councils and suppliers to ensure the community benefits tendered are realised. Examples of community benefits offered by suppliers include:
- Supply of salt and landscaping products to local nurseries and charities; and
 - Work experience
- 8.2 Tenderers were invited to offer any innovative solutions to assist councils in increasing their recycling levels or offering community benefits. Various solutions were put forward by tenderers, including sponsorship of school recycling competitions, school and nursery trips to farms, educational material and marketing incentives.
- 8.3 Successful tenderers will be required to work with councils to implement solutions offered, where required, and specific key performance indicators will be developed with contractors in this area.
- 8.4 Environmental legislation, due to come into effect on 1 January 2015, requires a reduction in the sulphur content in ships' fuel. This has contributed to the price increase for bulk salt deliveries. To satisfy the requirements of the new legislation, carriers have switched their fuel to diesel (a low sulphur option). This is estimated to increase shipping costs by 40%.

Consultation and engagement

- 9.1 Scotland Excel developed its procurement strategy via a User Intelligence Group (UIG). The Society of Chief Officers of Transportation in Scotland (SCOTS) was consulted. SCOTS is comprised of senior council officers who have direct responsibility for ensuring the operation of winter maintenance within their council areas.
- 9.2 A Council representative attended all the Scotland Excel UIG meetings, and was influential in ensuring that all the other Council's distribution costs were not aggregated into the selling price, thus ensuring that the Council obtained better value for money.

Background reading/external references

None.

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Links

Coalition pledges	P30 – Maintain a sound financial position. P44 – Prioritise keeping our streets clean and attractive.
Council outcomes	CO26 – Engage with Stakeholders and work in partnership to improve services. CO19 – Attractive Places and well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and the public realm. CO22 – Moving Efficiently – Edinburgh has a transport system that improves connectivity and is green, healthy and accessible. CO25 – The Council has efficient and effective services that deliver on objectives.
Single Outcome Agreement	SO1 – Edinburgh’s economy delivers increased investment, jobs and opportunities for all. SO4 – Edinburgh’s communities are safer and have improved physical and social fabric.
Appendices	Appendix 1 - Tendering Process Summary

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	CT3118 Salt for Winter Maintenance
Contract period	Scotland Excel – 1 July 2014 to 30 June 2017, with an option to extend for up to 1 year. City of Edinburgh Contract – to be adopted from 1 November 2014 to 30 June 2017, with an option to extend for up to one year.
Estimated contract value	£1,352,792 (based on 48 months from 1 July 2014)
Governing UK Regulation	Public Contracts (Scotland) Regulations 2012
EC Procedure chosen	Restricted
Standing Orders observed	2.4 EU Principles been applied 2.7 Commercial and Procurement Manager provided resource to undertake tendering 3.2 Director has responsibility for all Contracts tendered and let by their Directorate 5.1 (b) Tenders evaluated on basis of most economically advantageous criteria 8.1 Procurement process conducted electronically via Public Contracts Scotland.
Tenders returned	10
Tenders fully compliant	8
No. of recommended suppliers	8
Primary criterion	Most economically advantageous offer
Secondary criteria	Price
	Degree of compliance with Conditions of Contract
	Financial Stability
	Quality
	Service
	Contract Management
Evaluation Team	Scotland Excel and selected LAs
Procurement Costs	£10,000 - £15,000