

# Environment, Development and Transport Committee

<b>Report title:</b>	<b>Highways Winter Service Review</b>
<b>Date of meeting:</b>	<b>8 March 2019</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe – Executive Director, Community and Environmental Services</b>
<b>Strategic impact</b> The highway network is fundamental to the local economy and plays a major part in many aspects of our lives. An effective network enables everyone to move around the county more easily for access to work, key services, businesses and leisure. This is especially important during the winter season, where snow and ice can affect all highway users.  Norfolk County Council has a duty to ensure, so far as is reasonably practicable, safe passage along a highway is not endangered by snow or ice. Therefore, arrangements must be in place ready for the end of the current 20-year duration Salt Private Financial Initiative (PFI) contract in Spring 2020.	

## **Executive summary**

Norfolk County Council has a duty to ensure, so far as is reasonably practicable, safe passage along a highway is not endangered by snow and ice.

For the past 20 years, Norfolk has been well served by the Salt PFI contract. This contract not only brought improvements in how salt is stored and managed, but also guaranteed deliveries in the harshest of winters.

The PFI contract ends in April 2020. The contract cannot be extended. Therefore, new arrangements must be in place ready for the end of the Salt PFI contract in Spring 2020. This report highlights considers and reviews all aspects of the winter service, including:

- future potential contract types;
- future contract elements;
- future salt type; and
- the potential issues we could face.

Based on the considerations of this report, it is recommended that Norfolk County Council seeks to take forward a Full Open Procurement Exercise - Official Journal of the European Union (OJEU) Tender - option 2.

Following a review, it is recommended that this new contract should be for salt supply only. This is the optimum option to allow us to concentrate on negotiating the best terms for one of the most crucial elements of the winter service.

To make best use of the current winter service setup and avoid the cost of all new vehicles and equipment, it is also recommended that Norfolk County Council continues to treat the highway network with treated salt (such as Safecote), as it has done for the last decade.

## Recommendations:

Members are asked to agree that:

- a) **Norfolk County Council seeks to take forward Procurement under OJEU Tender;**
- b) **The new contract should be for salt supply only;**
- c) **Norfolk County Council continues to treat the highway network with treated salt;**
- d) **Norfolk County Council exercises the option to take on the leases at the Saddlebow and Sculthorpe sites and secures the lease on the strategic salt store at Swaffham.**

## 1. Proposal

### 1.1. Overview

- 1.1.1. Norfolk County Council (NCC) as the local highway authority is under a statutory duty to ensure, so far as is reasonably practicable, that safe passage along a highway is not endangered by snow or ice (Clause 41 in the Highways Act 1980).
- 1.1.2. Members delegate this function to the Executive Director of Community and Environmental Services (CES) in order to discharge this duty. The Winter Service is planned, managed and delivered each year by the Highways & Waste Group within the Department for Community and Environmental Services.

### 1.2. Background

- 1.2.1 Norfolk County Councils' current Salt PFI contract ends 30<sup>th</sup> April 2020. The Salt PFI contract is with Compass Minerals Ltd (formerly Salt Union Ltd) who mine salt from a quarry located in Winsford, Cheshire. Between 2 and 3 million tonnes of salt are produced by 3 salt mines across the UK each year.
- 1.2.2 The current contract is very wide ranging and includes the provision, storage and loading of salt onto Norfolk County Council gritters during the winter service season. Norfolk County Council is then responsible for the delivery aspect, i.e. driving or treating the routes. This contractual split is very unusual within the UK and the vast majority of highway authorities just have contractual arrangements relating to delivery of salt or brine only.
- 1.2.3 Going forward, it is imperative that Norfolk County Council retains its resilience in carrying out the winter service. There is less capacity in the supply chain (such as an industry shortage of HGV drivers) than in 2000, which further emphasises the importance of having a reliable salt supply contract.
- 1.2.4 The amount of salt used in any given year is very dependent on the weather conditions. The table below highlights the amount of salt used in each of the last five years, along with the number of gritting actions.

Year	Number of gritting actions	Tonnes of Salt used
2013/14	65	15,679
2014/15	70	16,064
2015/16	58	14,266
2016/17	57	13,347
2017/18	113	28,008

- 1.2.5 There are just under 50 treated routes in Norfolk's priority (P1/P2) network. Each time a countywide gritting action is called around 2,200 miles of network is treated within three hours. This covers about one third of the whole network in Norfolk. Each full countywide treatment uses between 160 tonnes and 320 tonnes of salt, depending on the required gram weight, per metre square. The gritting operation is delivered from seven strategically located salt domes across the county. Compass Minerals also has a strategic salt store at Swaffham.

## **2. Highway Winter Services**

### **2.1. Future Contract Types**

Going forward, there are a variety of contract types that can be used. These options are detailed below.

#### **2.1.1 Option 1 – Spot Buying**

Our individual orders are significant in terms of value and therefore spot buying would breach our internal Contract Standing Orders and the Public Contract Regulations 2015. This option cannot be considered due to value of the salt orders and the lack of certainty around supply that this option would bring. Therefore, Option 1 is not considered a viable option.

#### **2.1.2 Option 2 – Full Open Procurement Exercise (OJEU Tender)**

This would involve advertising the requirement in the Official Journal of the European Union asking for bidders to submit tenders for the supply of salt only. The contract would be awarded to the provider who achieves the highest mark when combining quality and cost.

The advantages of this approach are: -

- It would allow the Council to have a long-term contract (longer than allowed under Option 3 – Framework). The Council would look to put in place a 5-year contract with the option of extending by 2 years plus a further 1 year. This would allow the Council to co-term with the main Highways Contract, if it was decided that amalgamation of services was the best way forward, or alternatively if this was not the best way to proceed, it would allow the Council to extend the salt contract whilst a re-procurement of the Highways Contract was underway.
- Increased certainty of supply. With having one contract, the Council will establish and maintain a relationship with the supplier which should help ensure supply as and when required. As this is a critical requirement for the Council, the contract will contain the right for us to procure elsewhere if the supplier cannot deliver.
- A longer-term contract should lead to more competitive prices, although the Council will need to build into the contract mechanisms to assure good value throughout the contract life. Prices will also be subject to Building Cost Information Service (BCIS). BCIS provides cost and price information to the construction industry through years of collecting, collating, analysing, modelling and interpreting cost information.

#### **2.1.3 Option 3 – Call-off from a Framework Agreement**

A framework agreement is an already competed list of suppliers.

Frameworks can be used in one of 2 ways: -

1. The Council could use the framework to "spot buy". As the framework has

been pre-competed and as long as the rules of the framework are followed, then orders would be compliant with EU tendering rules and Contract Standing Orders. However, problems of ensuring supply and price remain an issue as detailed in Option 1.

2. The Council could do a further competition under a framework agreement to award a contract with one provider. This would ensure compliance with the EU Procurement Directives and would allow us to ascertain best value for money as the requirement would be competed between suppliers. However, the maximum length of contract that can be let is often limited (typically 4 years) which is not considered long enough to achieve best value and the optimum re-procurement benefits.

#### 2.1.4 Option 4 – PFI or similar

Although the existing PFI contract has served Norfolk well, as recently as the November 2018 Budget, the Government has confirmed there will be no new PFI's taken forward. Therefore, this is not a viable option available to Norfolk County Council.

- #### 2.1.5 **It is recommended that Norfolk County Council seeks to take forward Procurement under Official Journal of the European Union (OJEU) Tender (option 2 above).** If this is taken forward, it is anticipated a 5-year contract with the option of extending by 2 years plus a further 1 year (depending on performance) is considered the most advantageous to NCC whilst also being attractive to potential tenderers.

## 2.2 **Contract Considerations**

- #### 2.2.1
- As highlighted earlier, the current PFI contract is unusual in the wide range of areas covered. The construction industry and local government was quite different back in the late 1990's when the PFI contract was developed. Therefore, it is sensible to review these areas and going forward the optimum solution will be to retain some of these areas within Norfolk County Council to ensure best value. The following areas have been considered:

- Supply of salt;
- Storage of salt;
- Husbandry (loading) of salt;
- Dome maintenance;
- Salt management systems.

#### 2.2.2 **Supply of Salt**

**It is recommended that Norfolk County Council seeks to take forward a salt supply only contract.** This will allow Norfolk the flexibility to procure (or deliver in-house or as part of existing arrangements) all of the aspects of the winter service separately. It is expected that in some areas, this could offer either a financial saving or allow greater efficiencies when combined with existing service delivery. A salt supply only option would also be able to be procured more quickly than alternative options which include more aspects of the service. It would also bring Norfolk into line with the majority of other highway authority clients.

#### 2.2.3 **Storage of Salt**

On the 1 May 2020, the seven salt storage facilities will be transferred into Norfolk County Council's ownership. NCC will then be responsible for these domes (two of which are on leased land). NCC will not own any of the salt held

in the domes at the termination of the contract and will therefore need to purchase this remaining salt.

In terms of the seven salt storage domes, the five domes that are already on land owned by NCC and located within existing NCC Highways depots / muster points, will transfer over to the existing NCC Premises Managers. These domes are: Ketteringham, Aylsham, Caister, Watton and Diss. These have been improved and maintained by the Salt PFI contractor for the duration of the contract. **It is therefore recommended that NCC manage and maintain these facilities in line with the existing depot maintenance regime.**

The remaining two salt storage domes at Saddlebow and Sculthorpe are located on private land but covered under 50-year lease agreements as required by the terms of the Salt PFI contract. NCC have an option to extend these leases at the end of the initial 20-year PFI period. **It is therefore recommended that NCC take up the lease option and formally extend the terms of the agreement.** As with the five NCC owned domes, the ongoing management and maintenance of these two facilities will be in line with the wider depot maintenance regime undertaken by existing Premises Managers. It is worth highlighting that to terminate the leases and build new storage facilities elsewhere would require significant capital costs.

Due to the difficulties (and financial penalties within the contract) for guaranteeing deliveries in periods of adverse weather conditions, it has proved viable for Compass Minerals to provide a strategic salt store in Swaffham. At the end of the Salt PFI contract, Compass Minerals will no longer provide this facility. **It is therefore also recommended that NCC secures the lease for the existing strategic salt store at Swaffham.**

#### 2.2.4 Husbandry (loading) of Salt

Husbandry is the term used to either move or manage the salt deliveries when they are delivered to the salt domes, or to load up the individual gritters in preparation for the treatment / gritting runs. **It is recommended that Norfolk County Council deals with all Husbandry issues going forward using the existing NCC Roadworker teams or their successors.**

#### 2.2.5 Dome Maintenance

All seven salt storage domes will require regular inspection and maintenance. It is recommended that building condition surveys are undertaken annually and where possible, at the same time as the other existing surveys that take place on the premises.

The costs of this and the leasing costs for Saddlebow and Sculthorpe domes are detailed in the Financial Implications section below. It is also appropriate that the future condition survey inspection frequency is reviewed by the Premises Managers so that it is in line with the rest of the premises.

**As highlighted above, it is recommended that the five fully owned domes and the two leased domes become part of the existing Highways depot premises management arrangements.**

#### 2.2.6 Axle Weighers and Salt Management Systems

- 2.2.6.1 To assist with stock management, Norfolk currently operates a system of weighbridges to measure usage levels at each of the seven salt domes locations. At the end of the PFI contract, the apparatus will be handed over to Norfolk County Council in a good, functional state of repair and not be defective in any way.
- 2.2.6.2 Norfolk will have to assess whether the current method of recording salt usage is adequate or whether a more up-to-date system would be more advantageous for using during the winter service.
- 2.2.6.3 Currently, data from the weighbridges is collated via Weighweb (operated by Avery Weigh-Tronix), using GPRS enabled terminals at each of the Supaweigh weighbridges (N.B. Portable weighbridges are in operation at Sculthorpe and Kings Lynn). Going forward, improvements in this system is crucial to ensuring effective stock management. This will be critical as managing stock levels will become the Council's responsibility post 2020.

## 2.3 **Treatment Material Composition**

- 2.3.1 Going forward, Norfolk has the option to choose from a number of different materials to treat the county's highway network. These include:
- Dry salt – now seldom used but still available;
  - Treated salt – such as Safecote – widely used across England and used in Norfolk for the past decade;
  - Pre-wet salt – popular product although requires significant up-front investment in new plant and equipment;
  - Brine – again requires significant up-front investment in new plant and equipment.
- 2.3.2 For the duration of the majority of Norfolk's Salt PFI contract, a molasses coated salt has been used. The salt is mined in Cheshire and then a molasses coating produced by Safecote is added. Amongst other benefits, it reduces the amount of salt that needs to be spread on the carriageway by around 25%. Norfolk has had very good success with this coated salt product over the last decade. Recently, several highway authorities have approached NCC to ask about our experience with Safecote.
- 2.3.3 For Norfolk to move away from the Safecote product, there would have to be significant financial and operational advantages. These have been reviewed over the past year and at the current time, the significant investment in plant (including vehicles), materials and changes in working practices do not offer an attractive business case. From an operational stand point, concerns have also been raised around moving to use of a pre-wet solution to treat the network. These concerns relate to the reliability of the machinery and correct pre-wet mixtures, particularly since 4 of the depots we operate from are unstaffed.
- 2.3.4 **Therefore, it is recommended that Norfolk County Council continues to treat the network with coated salt following the end of the Salt PFI in 2020.**

## 2.4 **Key Performance Indicators (KPIs)**

- 2.4.1 By means of helping to ensure we receive the best possible level of service from the salt supplier, Key Performance Indicators (KPIs) should be used. It has been suggested that we could consider indicators that reward and therefore encourage good performance, rather than charging the supplier a fee for poor performance.

- 2.4.2 An example of this could be that, should a salt dome be kept above a minimum desired stock level for the entire year, a percentage or lump sum would be paid to the supplier for achieving this. This could be written in for all of the individual depots and even include a bonus percentage or lump sum should all of the domes remain above their individual minimum desired stock level for the year.

### **3. Financial Implications**

#### **3.1. Residual Salt**

3.1.1 On the 1 May 2020 (the day after the end of the PFI), NCC will own the salt domes (some of which are on leased land) but not the salt within them. Under the terms of the current contract, Norfolk County Council is liable for the cost of this remaining salt.

3.1.2 With regards to the remaining salt, it may be more cost effective to purchase this at the PFI contract rate as opposed to purchasing it at the prevailing market rates. This will need to be evaluated closer to the time when market conditions will be better known.

#### **3.2 Dome Condition Surveys & Future Leasing Costs**

3.2.1 As detailed in this report, at the end of the PFI contract, dome condition surveys and future leasing costs will fall onto Norfolk County Council. In total, the condition surveys and annual leasing costs for the two salt storage domes at Saddlebow and Sculthorpe plus the cost of continuing with the 5,000T strategic salt store at Swaffham (strongly recommended) is estimated at around £70,000 per year. This will be contained within the existing NCC winter maintenance budget.

### **4. Issues, risks and innovation**

#### **4.1. Equipment and Facilities**

4.1.1 At the end of the contract, Norfolk County Council is obligated to purchase from Compass Minerals for £1, all of the Barns (outlined in Appendix A) and the axle weighers and all associated fixtures, fittings and equipment as stated within the contract. From the 1<sup>st</sup> May 2020, Norfolk County Council will be responsible for maintenance of these assets and will be responsible for any associated risks.

#### **4.2. Residual Salt**

4.2.1 As per point 3.1 above.

### **Officer Contact**

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

**Officer name:** Grahame Bygrave **Tel No.:** 01603 638561

**Email address:** [grahame.bygrave@norfolk.gov.uk](mailto:grahame.bygrave@norfolk.gov.uk)



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