

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	21 st July 2015
Report of:	Peter Bates, Chief Operating Officer
Subject/Title:	Winter Service Fleet
Portfolio Holder:	Cllr David Brown, Highways

1.0 Report Summary

- 1.1 The Winter Service remains one of the Council's most visible front line services that significantly enhance the safety of our roads during adverse weather events. The proposed change to fleet management follows the Council's innovative partnership approach, and demonstrates the agility in the Highway Service Contract to deliver greater value for money.
- 1.2 The Highway Winter Service treats approximately 40% of the total highway network throughout the winter period to ensure the residents and businesses of Cheshire East can continue to utilise the transport network even during extreme weather events. The level of service provision is in accordance with the Council's adopted winter service policy. The strategy employed is to ensure that, where practicable, the full length of the priority routes receive treatment before the predicted conditions occur.
- 1.3 To achieve this, the service uses the Council's dedicated gritting fleet of 20 bulk gritters to treat 17 pre-defined gritting routes leaving 3 spare gritters to provide resilience for the service. The current fleet is in a poor condition and whilst some vehicles can be made roadworthy through a major summer overhaul, there remains a high likelihood that a significant portion of the fleet will require substantial ongoing repairs to remain operational.
- 1.4 The Council, as part of becoming a commissioning authority has transferred the fleet management function as part of a range of services to ANSA. The reason behind this is to ensure the New Delivery Vehicles have sufficient control to deliver the required outcomes for the improvement of the service.
- 1.5 Given the Council's success in other service areas which have transferred the responsibility for fleet management, it is considered to be an appropriate time for the Council to give further consideration to the Authority's previous stance on whether ownership of the winter service fleet should remain with the Council or whether this should become a matter for the service provider.

- 1.6 The Highway Service Contract (HSC) specifically states that the Employer (CEC) retains ownership of the fleet and therefore for this to change, within the service period of the current contract, would require a formal amendment to the contract.
- 1.7 The highway service provider, Ringway Jacobs, have proposed that if the management of the fleet was to be transferred into the contract they would procure a full replacement fleet for Cheshire East Council and using this procurement route would enable the Council to benefit from the relationships Ringway Jacobs, and the wider Eurovia Group, have with the suppliers of this specialist equipment. The benefit this provides is to ensure that the best market rates are obtained for this procurement exercise and also to ensure that the vehicle specifications align to the required industry standards based on their current procurement experiences.

2.0 Recommendation

- 2.1 It is recommended that members support the option of transferring the winter service fleet into the Highway Services Contract, including allowing the Service Provider to lead on the procurement of a new fleet subject to confirmation of obtaining best value for money compared to alternative options, with the final decision delegated to the Chief Operating Officer in consultation with the Finance Portfolio Holder.

3.0 Reasons for Recommendation

- 3.1 An early decision to allow the Service Provider to procure a new fleet would eliminate the need for the existing fleet to receive a summer maintenance overhaul – saving the Council £470k.
- 3.2 In addition there would be in-season maintenance costs during the 2015/16 season, based on the previous season's costs this is likely to be in the region of £330k.
- 3.3 Ringway Jacobs have prepared a financing package based on the purchase and maintenance of an entire replacement fleet (including spare vehicles – 20 vehicles in all) over a 7 year period. The annual cost of financing this through the Highway Services Contract would range from £416,286 in year one down to £352,920 in year seven. An annual average cost of approximately £385k. It is considered that replacing the fleet in this way would provide better value for money than either continuing with the existing fleet (at significant annual cost in terms of major repairs) or via the Council procuring a new fleet.
- 3.4 The Procurement team have reviewed available frameworks to provide comparative costings if the Council were to procure a replacement winter fleet in keeping with the current arrangements. The costs from the framework include supplying gritters to the same base specification allowing a direct comparison to be made against the costs submitted by Ringway Jacobs. It would appear that the purchase costs through the framework could be up to 16% higher than can be achieved by Ringway Jacobs and their partners through their supply chain relationships.

- 3.5 The new fleet would provide a much greater degree of reliability and therefore improve service delivery for Cheshire East residents.
- 3.6 The transfer of responsibility for the management of the fleet is more in keeping with the Council's current strategy for service delivery. The expertise and knowledge of plant management and specification requirements would sit appropriately with the service provider

4.0 Wards Affected

- 4.1 All Wards are affected by the proposal.

5.0 Local Ward Members

- 5.1 All Ward Members are affected by the proposal.

6.0 Policy Implications

- 6.1 The decision will have an influence on the service contribution to the delivery of the Cheshire East Council Three Year Plan outcomes:
- Outcome 2: Cheshire East has a strong and resilient economy
- 6.2 The adoption of the recommendation would result in improvements in the winter service provision and lead to less disruption to the transport network benefiting businesses and residents alike.

7.0 Financial Implications

- 7.1. For the forthcoming season and on the basis that a new fleet would be delivered by 1 January 2016, it would be proposed that for the first three months of the season the entire operational fleet (17 gritters) would be hired. Providing an order has been placed for the new fleet, the potential suppliers have given assurance that a hired fleet could be secured in the region of £700 per vehicle per week (£155k for 13 weeks). This arrangement would allow us to dispose of our existing fleet in advance of the winter and avoid the summer overhaul costs.
- 7.2. Based on knowledge gained following a previous disposal exercise the fleet of existing gritters is likely to generate a capital receipt of approximately £100k at auction.
- 7.3. Another area of consideration is that the Ringway Jacobs contract concludes in October 2018 and the financing arrangements will need to be novated into the contract of the new service provider, should Ringway Jacobs not succeed in a new tender. As a consequence this may need to include termination costs for the financial arrangements Ringway Jacobs will have in place.
- 7.4. This approach would obviate the need to undertake a summer maintenance overhaul and in-season maintenance costs thereby avoiding spend of approximately £540k for the 2015/16 season.

8.0 Legal Implications

- 8.1 For the recommendation to be adopted the HSC will require amendment to incorporate the change. The current HSC states that the Council retains ownership of the fleet. Although the scope of the contract is being expanded the likelihood of challenge is minimal because the contract value is not increasing.
- 8.2 The amendment should include a requirement that RJ novate the fleet, through CEC, to any new provider of Highway Services when the HSC terminates.

9.0 Risk Management

- 9.1 The major risk lies in the scenario whereby the Service Provider is put into liquidation in, or just prior to the winter period, and its plant and materials are impounded by the Liquidator leaving the Council with no fleet to provide a winter service. This is a situation faced by many Councils with external contractors that provide winter service. The general view across authorities is that the risk to the continuation of any activities within highway service is so slight that special provision is not necessary for winter service.

10.0 Background and Options

- 10.1 The two main options available to the Council:-
 - I. Retain the status quo position. The current fleet will require extensive maintenance to continue operating throughout the 2015/16 season. In 2014/15 the fleet was reduced to 11 front line gritters out of the required fleet of 17, with 6 additional vehicles having to be hired in for the entire winter season. The cost to the Council for purchase of a replacement fleet could be up to 16% higher than the rates which can be achieved through the HSC.
 - II. Amend the current HSC to extend the service delivery requirements for the Service Provider to include the management and provision of the winter fleet. This enables the service provider to take sole control of decisions regarding the condition of the fleet and transfers full responsibility for the service performance. Future Highway Services contracts would be prepared on the same basis.
- 10.2 Allowing RJ to purchase the replacement fleet through its own procurement procedures would provide the benefit of reduced in season maintenance costs. A new fleet would include for maintenance over the 7 year finance arrangements providing the Council with financial certainty going forward.
- 10.3 The reliability of a new fleet would also allow the consideration of the need for 3 permanent spares to be retained. As a consequence it would be possible to consider the reduction to one spare and thereby reducing the fleet and delivering a further savings.

- 10.4 If authorisation is given for RJ to proceed with the procurement it has been indicated that they would call on Eurovia, who form part of their wider group, to secure the vehicles on their behalf. Eurovia procure vehicles and plant on a national scale and, through their purchasing power and relationships with suppliers, can secure best value rates that would be passed on to the authority.

11.0 Access to Information

- 11.1 The background papers relating to this report can be inspected by contacting the report writer:

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