

CHESHIRE EAST COUNCIL

Cabinet Member for Highways

Date of Meeting:	29 March 2016
Report of:	Steph Cordon, Head of Communities
Subject/Title:	Redundant Winter Service Fleet - Disposal
Portfolio Holder:	Cllr David Brown

1.0 Report Summary

- 1.1 At the Cabinet meeting of 21 July 2015 it was agreed 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. After consideration of the service provider's financing proposal by the Accountancy Service Manager the Chief Operating Manager gave his decision to approve on 24 August 2015.
- 1.2 Under the financial implications identified in the Cabinet paper it was proposed that for the current winter season a replacement fleet would be hired until such time that a new fleet could be procured and that this arrangement would allow CEC to dispose of the redundant fleet thereby avoid the substantial summer overhaul costs that would be required.
- 1.3 It was also indicated that based on knowledge gained following a previous disposal exercise the sale of the fleet of existing gritters was likely to generate a capital receipt of approximately £100k at auction.
- 1.4 Since the decision to dispose of the redundant fleet was taken our service provider has sought a valuation of the individual vehicles from ECON, the suppliers of specialist winter service plant. This was carried out to get a more accurate indication of the level of financial return that the authority would achieve at auction. ECON's estimate was based on the likely return we would achieve at this time of year. Following a physical inspection of the vehicles ECON have reported that the fleet is likely to achieve a return of approximately £72k in the current market.
- 1.5 Furthermore ECON have also stated that having inspected the vehicles they would be prepared to purchase part or all of the fleet based on their valuations. ECON have indicated that they would expect a decision on their offer within a month after which they would need to review their valuation.

- 1.6 One of the vehicles (DK57 LYX) valued at £10,000 by ECON has attracted interest from a number of other parties. These are ANSA, Willis Bros & Dodgsons. The latter two being supply chain partners that sub-contract to our service provider, Ringway Jacobs. ANSA would wish to employ the vehicle on activities within their own service area. Willis & Dodgsons have indicated that it would be their intention to undertake repairs and, when called upon to do so by our service provider, utilise it as a support vehicle for the Highway Services Contract.

2.0 Recommendations

- 2.1 It is recommended that the whole fleet be sold to ECON at the valuations given for the individual vehicles - subject to the following.
- 2.2 The other interested parties be invited to bid for DY57 LYX on a simple sealed offer basis. Should the highest offer exceed the ECON valuation then the gritter be sold to that bidder. If the bid falls short of the ECON valuation then the gritter be sold along with all the other gritters to ECON.

3.0 Reasons for Recommendations

- 3.1 Selling the bulk or all of the gritters to ECON would avoid the need for the authority to incur the associated auction costs.
- 3.2 The authority would avoid transportation costs to, and possibly from, the auction (ECON have indicated that they would remove the gritters at no additional cost).
- 3.3 Selling the bulk or all of the gritters to ECON eliminates any risk that some of the gritters may remain unsold and the authority would have fund their retrieval and then consider, and fund, other forms of disposal.
- 3.4 The recommendation is considered to deliver value for money for the authority bearing in mind that the likelihood of achieving high rates of return at auction has been somewhat dampened by the recent relatively mid winter season.

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 There are thought to be no policy implications.

7.0 Financial Implications

- 7.1 It is considered by the Service, based on experience, that the recommended approach would achieve a reasonable return for the authority of at least £72,000, bearing in mind a likely lower level of interest being generated at auction than previously anticipated, following the mild winter period.
- 7.2 The original Cabinet paper of 21 July 2015, indicated that an estimated £100k return generated by the fleet disposal would be fed back into the Service revenue budget to reduce the pressure of funding the hire and purchase costs of the new fleet in this financial year. Whilst a lower level of return from disposals is now expected, again because of the exceptionally mild conditions experienced to date winter service spending has been lower than budgeted, so the consequent savings made could be utilised to make up any shortfall and help to cover fleet hiring costs.

8.0 Legal Implications

- 8.1 No legal implications are anticipated.

9.0 Risk Management

- 9.1 It is conceivable that this proposal may be viewed as one not ensuring that value for money is achieved as it does not 'test the market' in an open forum ie auction. However based on the fact that previous experience has indicated that a £100k valuation was achievable in a period of severe winter conditions then it is not unreasonable to assume that in a period of less severe winters the interest, and therefore the financial return, would be somewhat lower via the auction route. Add to this the fact that cost of transport to auction, the auction fees and the risk of 'no sale' are all avoided under this proposal. This makes the proposal and therefore the guaranteed financial return more attractive for the authority.

10.0 Background and Options

- 10.1 The main options available to the Council:-
- I. Reject the ECON offer and proceed with the original intention to auction off the whole fleet. This option may, or may not achieve a greater return for the authority but it would definitely attract additional auction costs. It would also risk the fact that all gritters are not sold leaving the authority with further disposal costs.
 - II. Accept the ECON offer for the whole fleet and thereby remove any risk surrounding auction values and the possibility of unsold vehicles.
 - III. As above but offer DK57 LYX to the named interested parties through a system of sealed bids awarding it to the highest of the bidders or to ECON if their assessment is still the highest valuation, ensuring best value.

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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