Better Utilisation of Property Assets Programme

Corporate Storage and Distribution

Business Case

Cambridgeshire County Council
Strategy & Estates
Box: RES 1302
Shire Hall
Cambridge
CB3 0AP
Telephone: 01223 699354
Facsimile: 01223 718137
richard.impey@cambridgeshire.gov.uk

November 2009

2005-2006
Asset Management

Content

A **Technical Brief** has been produced to contain all common assumptions or definitions for each element of the Business Case, e.g. financial model, sensitive analysis.

1. Executive Summary

Cambridgeshire County Council currently stores a wide range of items in a variety of locations across the County. The majority of items are from the Library and Archaeological services, but other services have requirements that have been scoped in to this project. There are no common processes for storage, administration, transportation, or disposal. The locations vary from poor quality (e.g. sheds) to bespoke storage in parts of buildings while the properties contain a mix of leased and owned facilities.

The cost of the current arrangement is not tracked, hence there is no real understanding or control on this activity. Action is required to implement a cost effective corporate wide solution that could free up funding for frontline services and ensure effective use of resources and assets.

Option 3a (to buy and run own site of 1000m^2) is the highest scoring option for a single site solution from a non-financial perspective. This would allow management of storage in a cost effective manner in a purpose built facility to enable common processes to be implemented across the organisation. This would also deliver a facility with a residual value that could be recouped if required.

Option 3b (to provide only storage for statutory and legal reason) is best placed to deliver the objectives of the project in financial terms. However there is a risk that the option may not fully meet storage needs after reduction and could lead to fragmented storage.

It is clear that the provision of a new storage facility under Option 1b (buy and operate) would bring a number of benefits to the Council. However, in the current economic climate, likely cost of such development and possible changes to local government structure suggest that 3b would be more prudent. This solution would be well below the Net Present Cost (estimated NPC of £2.5m over 40 years) for the baseline and result in substantial revenue savings (with operating expenditure falling to around £70k pa).

In order for the suggested approach to have any chance of success, there will have to be a top down culture change programme agreed by SMT that will be driven and sustained throughout project implementation and beyond. Key enablers for successful implementation include:

- Director/Heads of Service awareness sessions prior to project start to gain commitment
- Agreed benefits and objectives the project will achieve
- A statement on the principles and policy of storage before implementation commences
- Agree volume and timescale targets with services to reduce stored items
- Regular review of progress with corrective action agreed with Directors/Heads of Service

- Determination of business-as-usual processes to ensure principles and benefits are sustained post project closure

Therefore Option 3b to move to a position where only legal and statutory items are stored is recommended.

2. Background and Context

2.1 The Need for Change

Cambridgeshire County Council currently stores a wide range of items in a variety of locations across the County. The majority of items are from the Library and Archaeological services, but other services have requirements that have been scoped in to this project. There are no common processes for storage, administration, transportation, or disposal. The locations vary from poor quality e.g. sheds to bespoke storage in parts of buildings with the properties being a mix of lease and owned facilities.

The main reasons that corporate storage capability is required are:

- There is no other organisation that is able to store items such as Archaeological artefacts and human remains.
- The Library service has to store books and other items that cannot be located in Libraries due to insufficient space.
- There are regulatory and legal requirements to keep records and other items for a set period of time, e.g. Register Office have to keep all Registers with entries for births, deaths and marriages indefinitely.
- There is a significant amount of publicity and other documentation that services use infrequently that has to be stored. In many cases this is co-located with the team's office accommodation and hence takes up space that could be used for higher value activities.

The cost of the current arrangement is not tracked; hence there is no real understanding or control on this activity. Action is required to implement a cost effective corporate wide solution that will potentially free up funding for frontline services and ensure effective use of resources and assets.

There are a number of key 'push factors' including:

- The need to rationalise a number of those storage sites already identified in the property strategy sites that are to be re-located to Dryden House Huntingdon. Dryden House itself where a large amount of library storage currently exists is unlikely to have any extension to the lease after the current three-year deal recently taken out.
- The unsuitability of a number of sites used for storage including location, access, layout, security and compliance with Disability and Discrimination (DDA) issues.
- The need to reduce running costs of the corporate estate. The current total for current storage locations is running at £173k per annum.
- The need to reduce the current volumes of un-necessary storage held, e.g. Archaeology Services.
- The need to find a solution for Register Services where space is running out for records at the current locations of Cambridge, Huntingdon and March.

In addition there are a number of key pull factors including:

- The opportunity to rationalise sites where vehicles (e.g. Library vans) are stored and maintained including capital receipts or leases given up.
- The opportunity offered by synergy with other BUPA schemes currently under consideration that could lead to reduced build and running costs - principally the Shire Hall Project.
- The opportunity to make appropriate use of existing CCC buildings in actually using them for what they are intended, e.g. garages at Hereward Hall and Butts Grove could be used for Pool Cars, not storage. This should result in better utilisation of staff time and reduce the environmental impact.
- To implement a strategic approach to storage facilities in a single solution and a common process associated with administration, transportation and disposal.
- The opportunity to introduce greater compliance with environmental and climate regulations, e.g. Carbon Trading commences in 2010.

2.2 The Objectives

For the main BUPA Programme objectives, see the accompanying Technical Brief.

The objectives specific to the Corporate Storage and Distribution project include:

- Significantly reduce the overall cost of storage, in particular the revenue costs associated with this process.
- Implement a one-stop solution for the majority of storage requirements.
- Implement a common process for the administration, transportation and disposal of storage across the organisation.
- Manage new storage requirements in a cost effective manner and in line with corporate policy.
- Alignment with the overall asset management strategy.

2.3 The Challenge

The main challenges to be overcome for this project to be successfully implemented are seen as follows:

- Responding to the current climate of reducing public finance with pressure for services to provide more. Hence cost effective storage is an enabler in response to this challenge.
- Address the cultural challenge of getting services to respond to financial pressures by supporting radical action to make funding go further.
- To exploit any opportunity to provide a cost effective solution by working in close co-operation with our partner organisations in this area.
- Ensuring people impacted by any implementation from this project act in an appropriate manner to ensure successful delivery of any solution.

3. Scope

3.1 In Scope

The scope of the project entails the release of a number of existing facilities used for storage and distribution. This facility will include centralised vehicle storage where this is cost effective, e.g. Library Vans.

PROPERTY NAME	SERVICE USAGE	CAPITAL RECEIPT/LEASE VALUE	TENURE	COMMENTS
Unit 89 Norman Industrial Estate, Milton	Libraries, Archives	£24,225	Leasehold	
Dryden House	Libraries, Swimming Service, PSHE	£105,000	Leasehold	
19 Gordon Avenue, March	Libraries	£148,000	Freehold	Residential re-development site
Old School, Papworth	Cambridgeshire Music	£260,000	Freehold	
Converted Barn at Worts Farm, Landbeach	Archaeology	£750,000	Freehold	Suitable for conversion to two dwellings
Camfields	FM	£603,000	Freehold	Temporary store used for WorkWise furniture. Surplus property approved by Cabinet
Stanton Villas	Libraries	Zero	Freehold	Part of a highways site. Not suitable for divesting

Table 1: Potential Sites for Lease or Sale currently used for Storage.

Many services will be affected by changes to storage facilities. The principle services in scope are Libraries and Archaeology and they have already made a significant contribution in helping to understand the current situation. It is anticipated that both would continue to have involvement in the implementation of any solution.

Office re-provision is included in the options appraisal, but no assumption has been made on whether this will be located with any warehouse facility or elsewhere.

Partner involvement has not been fully explored and is not currently within the scope of the project. However the solution may allow partners to join in and benefit, e.g. where excess storage capability exists. Engagement with partners is already underway at Programme level.

A facility at Stukeley Meadows Industrial Estate at Huntingdon has been identified as a good match to our requirements in terms of location and space available. This has therefore been used as the basis of Option 1 for build and lease scenarios. A facility at Beadle Walk industrial estate in Cambridge has been used for estimates of the 1000m2 facility for Option 3a.

There are approximately 300 square metres of existing storage space available at Sawtry that is owned by the Corporation. This will be utilised by the project in any of the chosen options.

The site under Elizabeth Way Bridge in Cambridge currently utilised by Transport Asset Management has a significant amount of spare storage space. However this is not a very conducive environment and would only be suitable for low-grade items requiring storage. This will be only utilised if such items are identified.

3.2 Out of Scope

Other Services, locations and systems have been considered, but have been assessed as ***out of scope*** at this stage. These are:

- Centralised Postal Services - Postal services are currently centralised at Shire Hall, but there are additional post-rooms at Scott House and Hereward Hall. There are a number of initiatives already in motion to reduce cost and improve efficiency such as “Clean-mail” and the single courier contract. However to re-locate the mail centre with the storage location would require mail to be scanned and e-mailed. This project is not scoped in to any programme at the moment
- Corporate IT and Education ICT Services operate from premises at Waterbeach, Babbage House and GDPC. The specialist nature of their work would require much more detailed analysis: hence they have been excluded from the current scope
- Huntingdon Library Bar Coding System – Assessed as being unsuitable for stock control in any storage solution under this project due to cost and un-suitability of items requiring storage under this project.

4. Options Appraisal

4.1 Options considered

The aim of the options appraisal was to clarify the relative costs and merits of internal and external provision of storage facilities. The options were designed to reveal the relative costs by providing the space either entirely internally or entirely through external suppliers.

The options considered are shown in Table 2.

	Option 0	**Option 1**	**Option 2**	**Option 3**
Option Summary	Baseline – Do nothing	Own and operate a new storage facility that is built (1a), bought as existing (1b) or leased (1c)	Procure Storage and Distribution through External Partner	3a) The purchase/lease of a small storage facility/warehouse in the centre of the county coupled with use of existing suitable space from the council's portfolio. 3b) No Storage except Legal and Statutory requirements
Option Description	Continue occupying the current variety of sites across the County. Locations used for storage range from parts of properties to sheds/garages. Some of these are not suited or designed for storage purposes There is significant input from CCC staff to administer the current position.	Option 1b to buy and operate was the preferred option after financial and non-financial appraisal. This will include vehicles that can be stored in a central location (e.g. library vans). Distribution of stores would be carried out by separate courier contract (2 vans) Manned by 3 staff to administer the site, i.e. an anticipated reduction in CCC staff costs Dispose of what property is owned or leased that is currently used for storage.	Contract out Storage and Distribution requirements to an external partner. The assumption is that this will include vehicle storage as per Option 1. No CCC staff will be directly involved in this function. Dispose of what property is owned or leased that is currently used for storage. Culture change would be key to successful implementation of this option.	3a would see the establishment of a small centralised facility where high churn items could be stored and distributed as required. Existing premises could be used for low churn items. 3b would see disposal of all stored items except those that need to be retained for legal and statutory requirements, e.g. Registers of births, deaths and marriages. Locate those items services need to utilise with the organisations that use them, e.g. musical instruments retained by schools. Significant culture change would be key to successful implementation of this option

Gross Internal Area (GIA)	Gross Internal Area = 2400 square metres for current storage (excluding Elizabeth Way and Sawtry)	GIA = 1983 square metres for total storage Will include additional 300 square metres at Sawtry. Will provide libraries and archaeology with all the storage space requested.	GIA = 1983 square metres for total storage Will include additional 300 square metres at Sawtry. Will provide libraries and archaeology with all the storage space requested.	GIA = 1000 square metres (3a) and will utilise 300 square metres at Sawtry and Elizabeth Way if low-grade items identified in scope (3a or 3b)
Receipts from Sales	£148,000 capital receipts – sale of 19 Gordon Avenue March is already underway as part of the Dryden House project.	£1,761,000 capital receipts	£1,761,000 capital receipts	£1,761,000 capital receipts

Table 2 - Corporate Storage and Distribution Options for Appraisal

4.2 Assessment Criteria

Both a financial and non-financial appraisal was carried out for each of the options. The criteria against which each option was judged are shown in Tables 3 and 4. Briefly these were:

- Financial - Net Present Cost (40 Year) and Revenue Costs at Year 10.
- Non-financial – Service Modernisation/Transformation, Environmental Sustainability, Economic Regeneration, Efficiency Gain, Quality and Performance, Reputation, Partner Working and Deliverability.

The non-financial criteria were weighted and the same weightings applied to each BUPA project. The non-financial appraisal was carried out by at least six people with at least 2 taking part in the appraisal for every BUPA phase 1 project, of which Corporate Storage and Distribution is one.

4.3 Evaluation of Options

The Financial Appraisal

Financial information was gathered for the options including existing lease costs, FM and maintenance costs and other running costs. Information was also gathered for Option 1 to indicate the cost of provision including build costs, future FM and maintenance costs and other running costs. Information was gathered for Option 2 on the cost of external facilities including racking. For Option 1b the cost of the provision of minimal office space for the personnel required to administer the facility and courier resource to transport stored items as required was included.

In some cases, actual data was unavailable and expert opinion and industry standards were applied. A number of assumptions have been made:

- Option 1b is based on an available unit at Stukeley Meadows, Huntingdon that is a near match to our requirements.
- No services have to be co-located with their stored items.
- Option 3a would see the purchase/lease of a small central facility (1000m2)
- Option 3b would see only legal and statutory items retained.
- No additional special environmental conditions available.
- Available space for vehicle storage as required.

Once the figures had been compiled, Net Present Cost and Revenue Savings were calculated. These have been verified and approved by accountants.

	Baseline	Option 1b	Option 2	Option 3a	Option 3b
Net Present Cost	£8,528,888	£9,243,996	£11,951,667	£7,416,307	£2,454,888
Operating Expenditure (Year 10)	£469,526	£306,927	£637,380	£270,000	£69,865

Table 3 - Net Present Costs and Operating Expenditure at Year 10.

The financial appraisal indicates a potential saving through the implementation of Option 3a (Reduced distribution facility). More significantly the implementation of Option 3b to provide minimal storage to meet statutory and legal requirements is the best option from a financial perspective.

The Non-financial Appraisal

In addition to the financial appraisal of the options, there was a need to test the options against the objectives of the BUPA Programme. Categories were determined from the programme objectives with sub-division to reflect the need to score different aspects. For example, Environment was separated into a 'building performance' element and a 'travel' element, which were scored separately and then aggregated to produce a single score.

Category (weighting)	Option 0 - Baseline	Option 1 – Own and Operate	Option 2 – External Supplier	Option 3a – Limited Storage	Option 3b – No Storage Facility
Service Modernisation/ Transformation (15%)	1	1.6	1.8	1.8	2
Environmental Sustainability (20%)	1	3	3	3	4
Economic Regeneration (15%)	1	2	1	2	1
Efficiency Gain (12.5%)	1.3	1.8	2.3	2.3	2.5

Quality and Performance (5%)	1	2	2	2	2
Reputation (5%)	1	2	1	2	1
Partner Working (12.5%)	1	1	2	1	1
Deliverability (15%)	3.7	2.7	2.3	2.3	1.7
Total inc. Weighting	131	196	180	200	196

Table 4: Non-Financial Scores (weighted).

The non-financial appraisal indicates that all the options significantly out-perform the baseline position, with option 3a narrowly out-performing options 1b and 3b. Option 2 fails to deliver the scale of benefits predicted from any other 'do something' options.

- Service Modernisation and Transformation – Low scores reflective of the requirement for this project to address culture.
- Environmental Sustainability – Options 1,2,3a provide the opportunity to improve environmental performance, but Option 3b scores best in this category due to minimisation of items and locations.
- Economic Regeneration – Low scores reflective of the limited ability of this project to influence this category.
- Efficiency Gain – Option 3b affords the best opportunity to influence this category, but the scores indicate no significant impact from any Option.
- Quality and Performance – Again no significant impact from any of the Options in this category.
- Reputation – Low scores reflect the lack of improved perception this project will have externally, but there may be some internal recognition that this project is addressing an area of major concern.
- Partner Working – No partner working currently scoped in, but there may be an opportunity at design stage if there are similar partner requirements in existence.
- Deliverability – Apart from Do Nothing (Option 0), Option 1b would seem to present the best opportunity of delivering the requirements of the project. Option 3b (No Storage) would be very challenging to deliver in terms of culture and business process change and may not provide sufficient storage space.

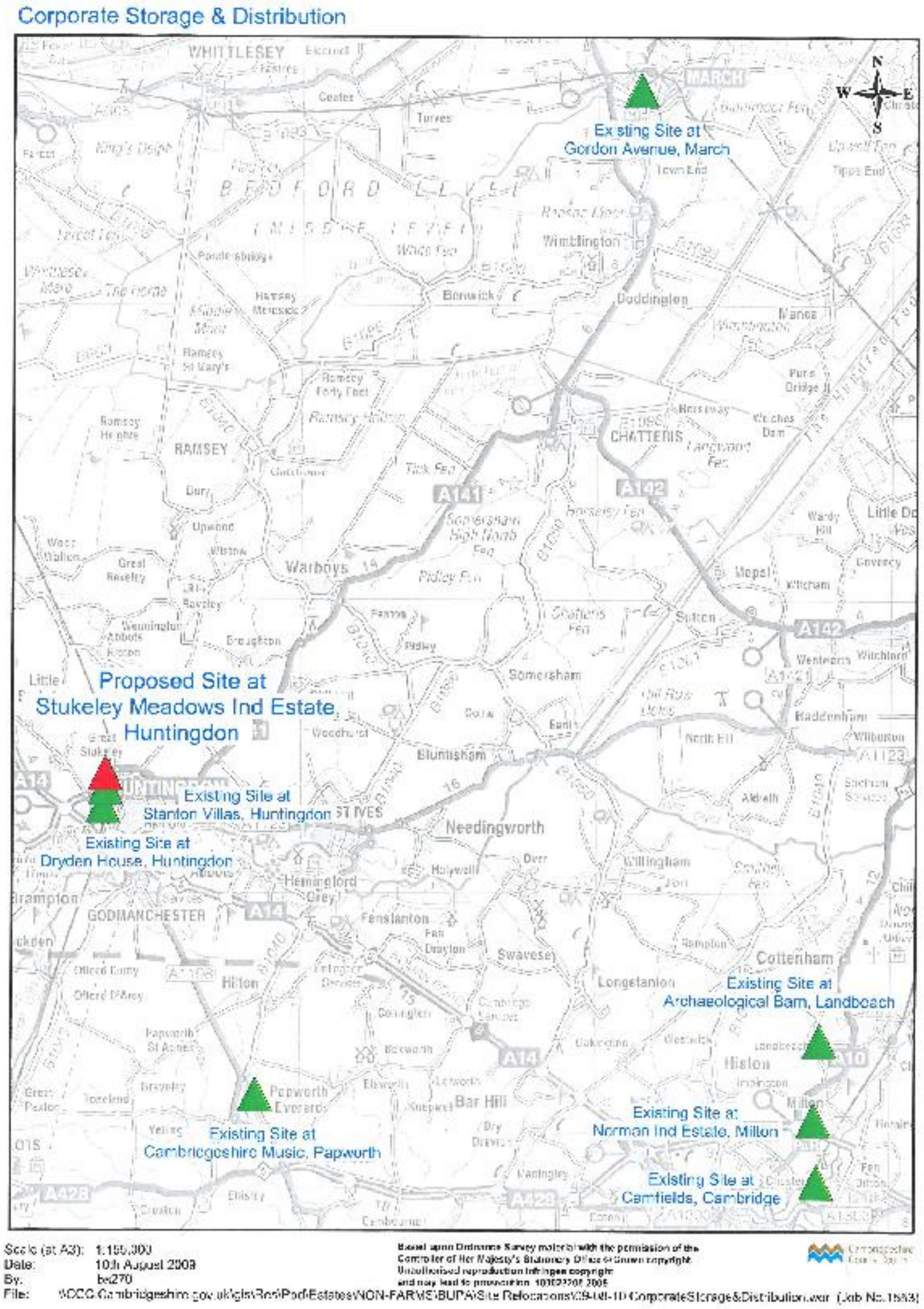
4.4 Preferred Option

The results of the non-financial appraisal process (Options 0, 1 and 2) were presented to the BUPA Programme Sponsor and Programme Board on 23 July 2009. Option 3b (No storage except legal and statutory requirements) was added to the Options Appraisal at the Board/Programme Sponsors request.

Option 0 (Do Nothing) is a non-starter on financial grounds and scores the worst in non-financial terms. This does not align with the Council's transformation strategy.
Option 1b (Buy and Operate) is the most favourable financial Option in terms of a one site solution, but is still far behind Option 3. This option is equal with Option 3b in non-financial criteria and at a similar level to Option 3a.
Option 2 (External Supplier) does not score well on non-financial appraisal and is also well behind Option 1 on NPC and NOE in financial terms.
Option 3b (No Storage) scores the best in financial terms and is equal with Option 1b in non-financial criteria (marginally behind Option 3a). However this will be a significant challenge to deliver and it is likely this would meet strong resistance from services. A significant culture change programme (sustained and endorsed by Directors across all services) would have to be linked to implementation of this option. There would be disruption to service delivery with this option due to insufficient space, hence before implementation could commence, a much more detailed assessment on the impact of service operations would be necessary.

After assessment, the preferred option is Option 3b.

The locations of the primary sites scoped in to this project are shown on the map below:



5. Preferred Option

5.1 Affordability

5.1.1 Cost

Table 5 below displays the headline costings for all the options.

	Baseline	Option 1b	Option 2	Option 3a	Option 3b
Capital Cost (Excl. Res Value)	-£81,445	£2,056,886	£129,480	£968,887	£55,939
Revenue Cost (40 Years)	£18,516,765	£16,284,465	£25,351,408	£13,512,584	£4,131,071
Net Present Cost	£8,528,888	£9,243,996	£11,951,667	£7,416,307	£2,454,888
Operating Expenditure (Year 10)	£469,526	£306,927	£637,380	£270,000	£69,865

Table 5: Headline Costs for Options

This table shows that both options 1b and 3a involve significant capital outlays over and above anticipated capital receipts. The table also shows that revenue costs are likely to be highest where an external contractor is involved, whilst all the options other than 2 outperform the baseline revenue position. Both the Net Present Cost and Operating Expenditures shall be explored in more detail below.

The following diagram compares the Net Present Costs of all options to the current baseline position. The Public Works Loan Board (PWLB) discount rate of 4.5% was used in generating all NPC calculations:

Diagram 1 - Net Present Cost

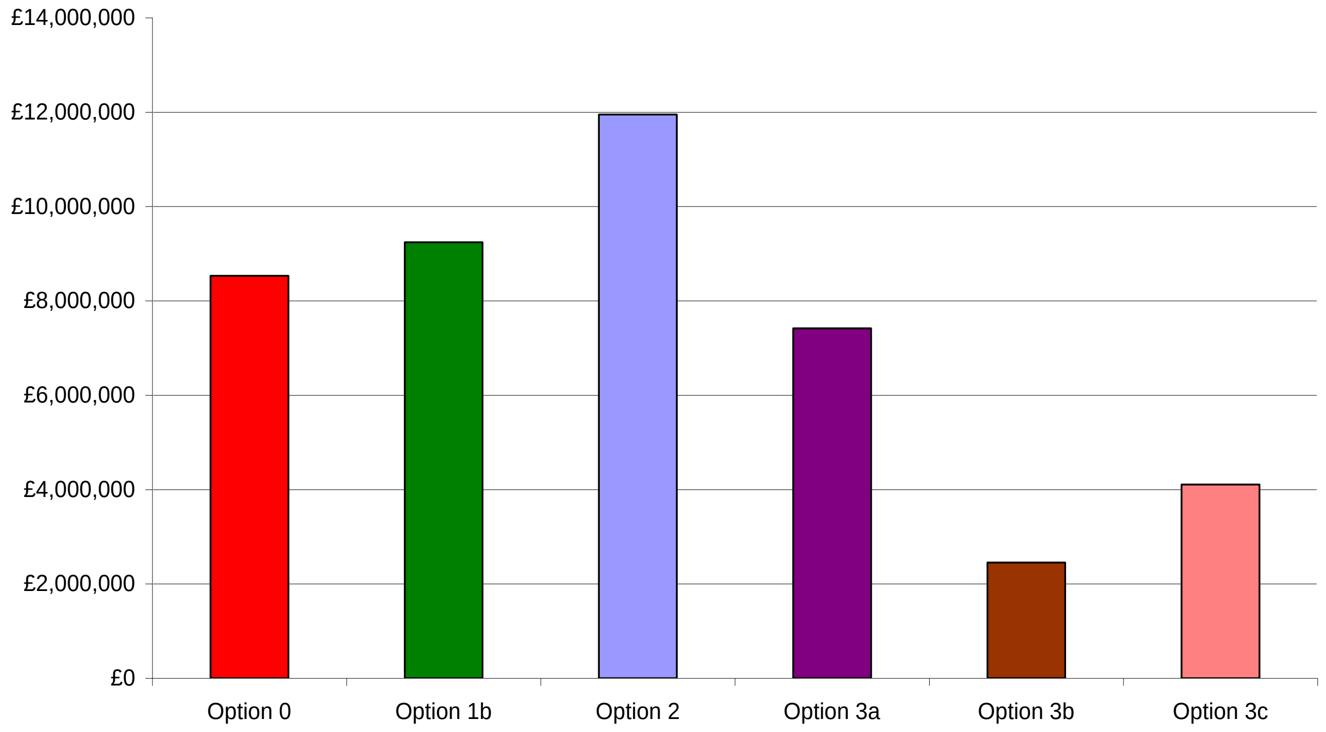
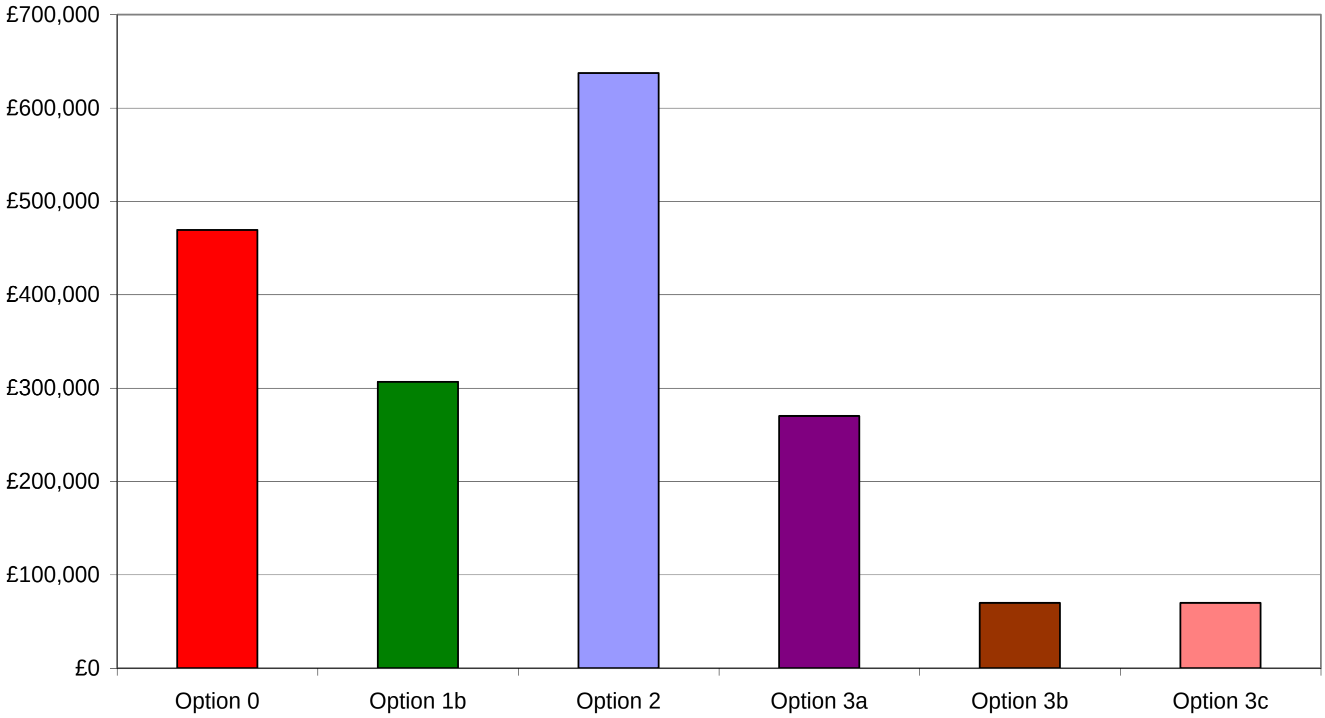


Diagram 1 illustrates the Net Present Cost of all the options taken forward to the business case stage. Options 0 and 2 represent the highest cost to the Council with option 2 being the only option that fails to outperform the baseline financially. All the other options reflect a gradient of the level of warehousing acquired by the council and on this basis as would be expected option 3b (no additional warehousing) has by far the lowest NPC, whilst option 3a (1000m2 warehousing) outperforms option 1b (2000m2 warehousing) by approximately £1.8m in NPC terms.

Diagram 2 (below) describes the revenue costs of the project in year 10. This year has been selected to allow any short-term spikes in revenue expenditure to settle.

Diagram 2 - Net Operating Expenditure (Year 10)

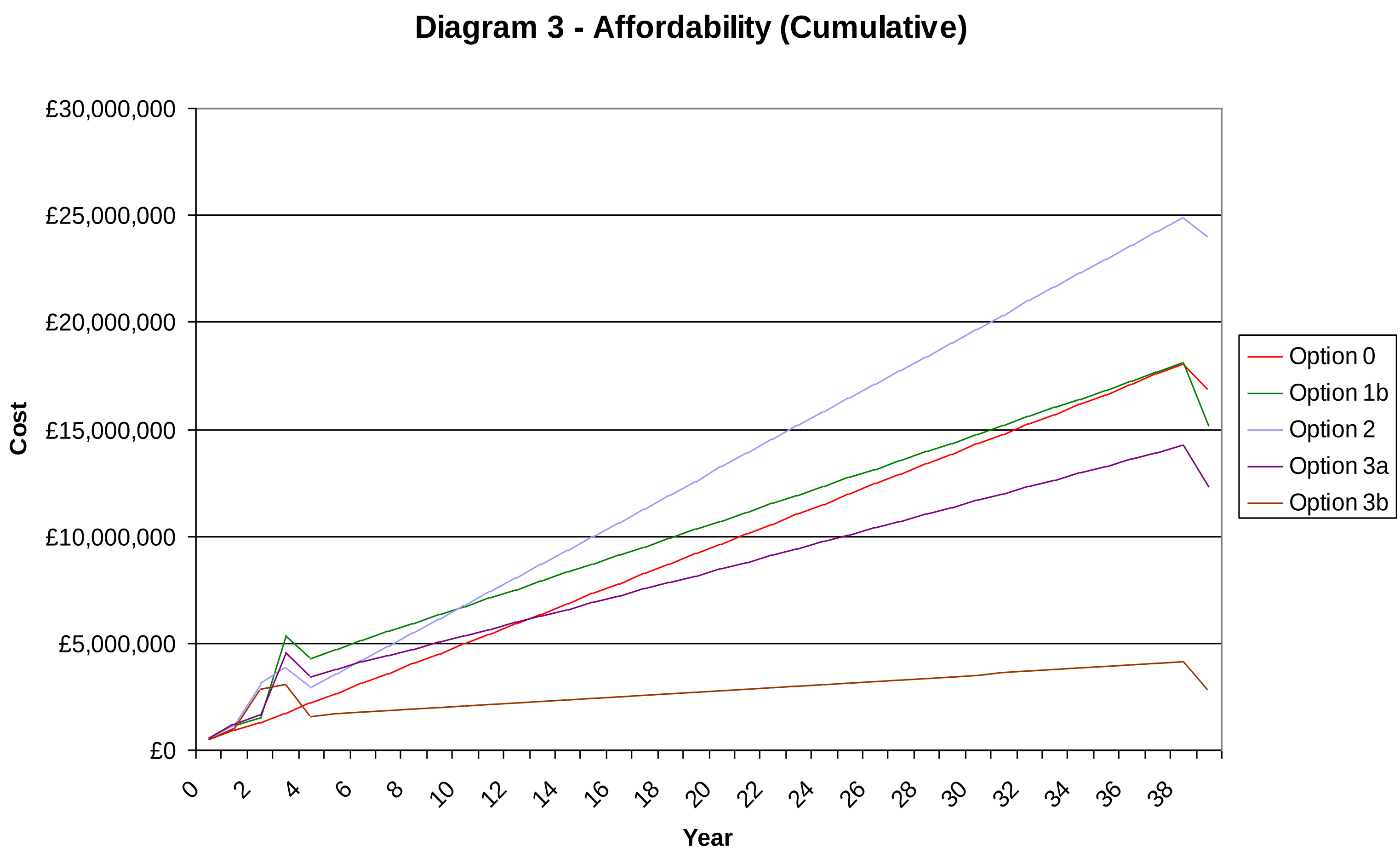


This diagram demonstrates a significant variation in operating costs depending on the option selected. Once again both the baseline and option 2 represent the costliest options in terms of running costs whilst all other options represent a substantial saving. The high costs of the baseline position reflect the current inefficient and fragmented storage held across the council as well as the leases that are currently held on Dryden House and Norman Industrial Estate. Option 2 has severe revenue implications due to annual fees to storage contractors.

Finally once again the revenue costs for options 1b, 3a and 3b reflect the quantity of warehousing acquired with option 3b offering the lowest operating expenditure and 1b the highest. The continued revenue expenditure in option 3b reflects both the running costs of the retained facility at Sawtry as well as the running costs of office reprovision required to vacate divested buildings such as Gordon Avenue.

5.1.2 Affordability Diagram

Diagram 3 displays the affordability of all the options against the baseline position.



The diagram above describes the cumulative expenditure for each of the options over the 40-year period. The dips on the right hand side of each option indicate the residual values of retained buildings, which are reflected as a capital receipt after 40 years.

As the diagram demonstrates all options barring Option 2 outperform the baseline position financially, with option 3b breaking even with the baseline position as early as year 4 following the realisation of capital receipts. Option 1b would fail to breakeven until residual values are taken into account (Year 40). Option 3a would breakeven around year 13 requiring a build-up of revenue savings to negate its net cost in capital terms. Option 2 would fail to breakeven with the baseline position at any point during the 40 year period.

5.1.3 Funding source

It has been assumed that the initial capital outlay included in all the preferred options shall be funded using prudential borrowing and the costs of servicing this debt have been built into estimates throughout the projects life. In the case of Options 2 and 3b capital receipts are expected to outweigh the initial capital outlays of office re-provision and it is assumed that this receipt will be used to repay any borrowing with any excess allocated to the BUPA programme.

It is anticipated that Options 1b, 3a and 3b would present significant revenue savings for reinvestment into frontline services whilst Option 2 would present an additional revenue burden to the organisation.

5.2 Achievability

5.2.1 Timescale

The timescales for this project are dependant on the option selected.

For Option 1b and 3a it is estimated that both office re-provision and the warehouse acquisition would be carried out over year 3. This would allow over 2 years to rationalise storage to fit into the facility, as requested particularly for appraising archaeological finds. It would also provide time to develop and begin implementation of policies to reduce and manage the amount of storage carried out by the Council. Following this it is assumed that the new offices and warehouse would be fully operational at the start of year 4.

For Option 2 it is estimated that both the office re-provision and the tendering process for a suitable external contractor would run through year 2. Following this it is assumed that both the new contractor and the office accommodation would be in place at the start of year 3.

For Option 3b it is estimated that the disposal of all storage items could be carried out through year 2 following some time to analyse the full implications of this policy and put in place measures to maintain business continuity throughout.

5.3 Sensitivity Analysis

The project has been tested according to the following sensitivities:

1) 40% reduction in the purchase cost of a warehouse facility. This sensitivity is based on current weak demand for commercial/industrial property and the potential for downward negotiation on book price. This also reflects the fact that the facility on which estimates are based is approximately 200m^2 larger than the scoped

requirement, and if a more suitable property becomes available this could push the price down. *This sensitivity applies to both Option 1b and Option 3a.*

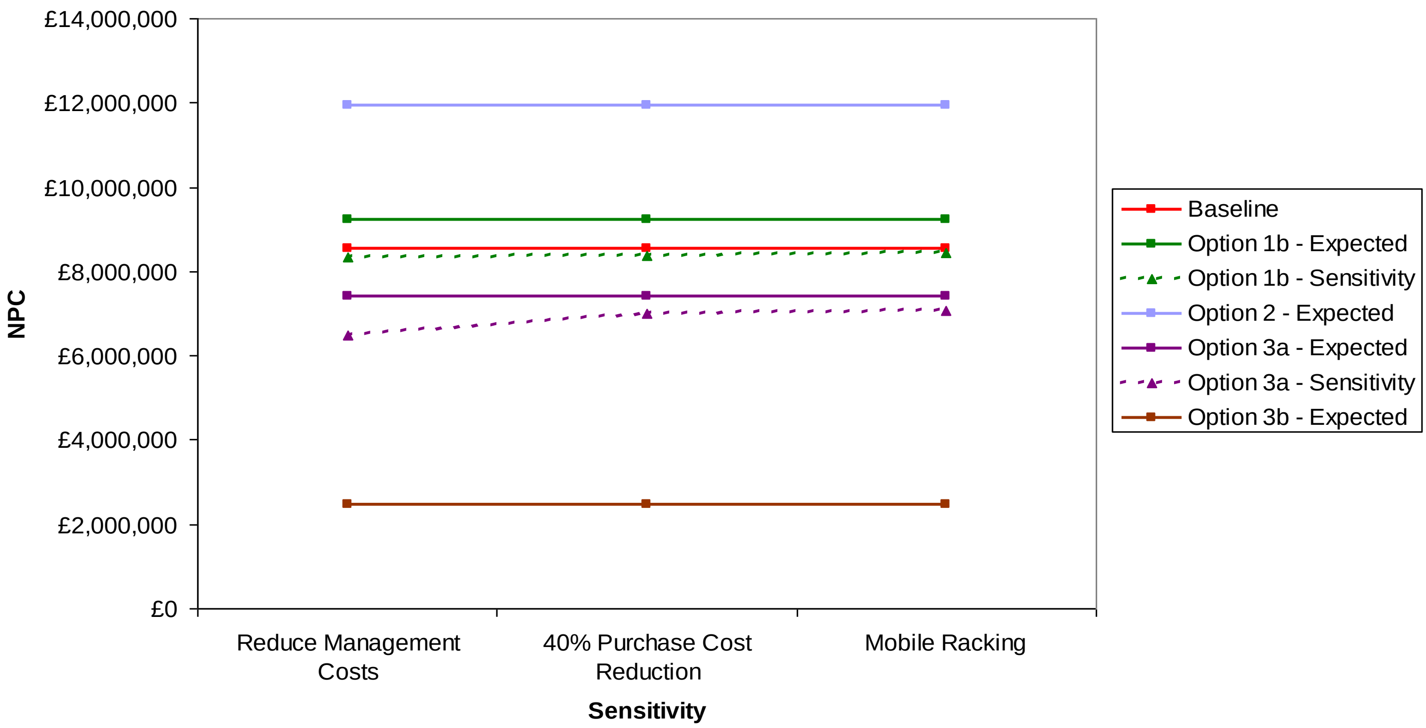
2) Implementation of a mobile racking system in a new facility. For the purposes of this business case we have assumed that mobile racking in any facility would cost £150 per m2 and would deliver a space saving of 30%. These figures have been applied to the finances to generate this sensitivity. *This sensitivity applies to Options 1b and 3a.*

3) A reduction in the management costs of any new facility. This sensitivity tests the implications of reducing the employees required to operate the facility from 3 (with 2 drivers with vans) to 2 employees (with 1 driver and a van). *This sensitivity applies to Options 1b and 3a.*

None of these sensitivities are applicable to the baseline, option 2 or option 3b.

The diagram below displays this information in a graphical form:

Diagram 4 - Sensitivities

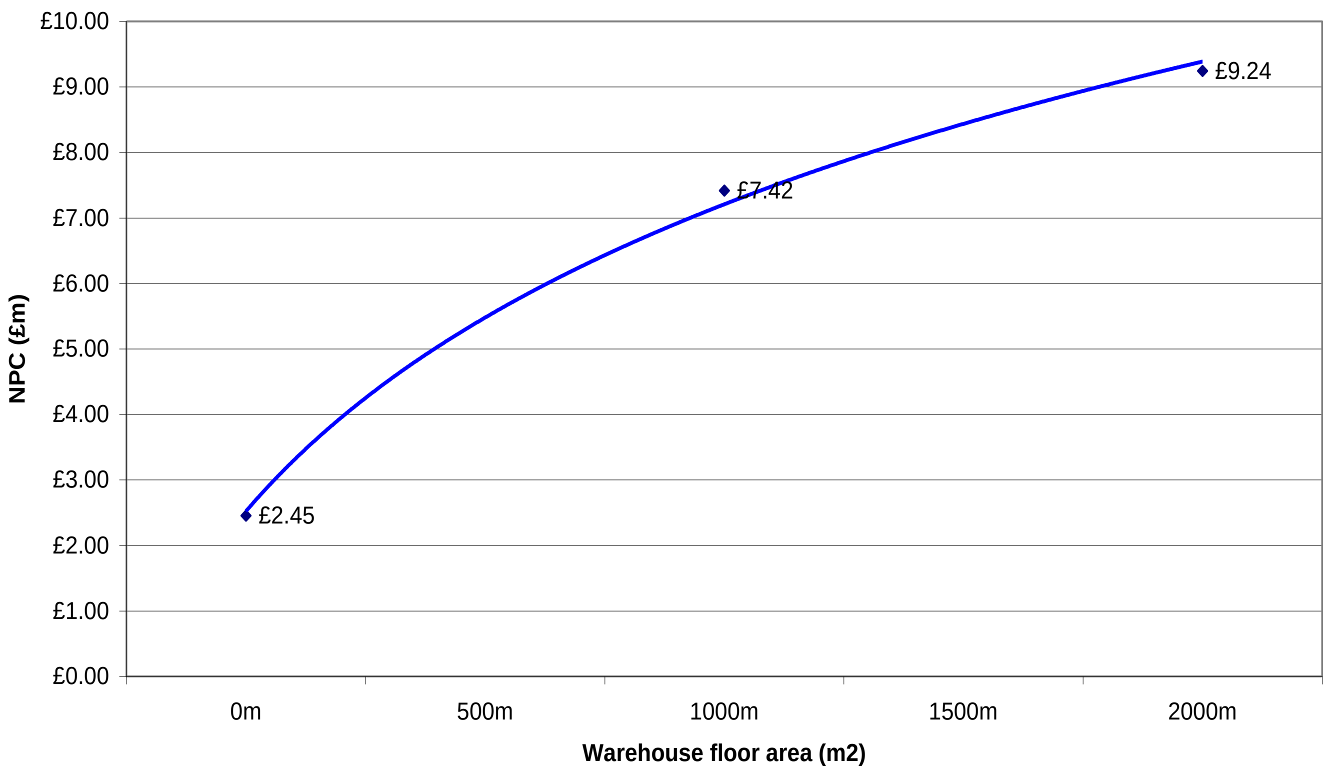


The maximum that any of the NPCs shift when exposed to sensitivities is around £1m brought about by a reduction in management costs. Figures indicate that extensive use of mobile racking could generate some savings against both option 1b and 3a however this would need to be explored in more detail at the design stage.

A 40% reduction in acquisition costs would generate significant savings across both tested options, however this figure may turn out to be less achievable in the case of option 3a.

The following diagram builds on this analysis by illustrating the implications of increasing or decreasing the quantity of warehousing space acquired.

Diagram 5 - Impact of Scale on NPC



The curved line on this diagram is a trend line illustrating the likely NPC implications of changing the amount of warehousing space acquired. The 3 data points given represent the NPCs of no warehousing (Option 3b), 1000m2 warehousing (Option 3a) and 2000m2 warehousing (Option 1b). Whilst these points have been selected for options this project represents a trade-off between allowing storage and cutting costs and therefore a solution could lie at any point on this line. Figures indicate that the limit that could be reached by any storage facility whilst breaking even against the baseline would be around 1800m2.

5.4 Benefits

The financial benefits associated with Option 3a are shown in 5.1.1. In summary these are a NPC saving of £1.1m against the baseline and revenue savings of £200,000 pa after initial one-off revenue costs.

The financial benefits associated with Option 3b are also described above and represent an NPC saving of £6m against baseline and revenue savings of £400,000 pa after initial one-off revenue costs. The non-financial benefits associated with option 3a are detailed in the table below.

Benefit	Aim
Contributes to reduction of carbon footprint.	Fewer buildings operated.
Reduction of the number of journeys and/or distances travelled.	With a reduced storage volume, common processes, and less people involved, the volume of journeys should be significantly less.
Unlock value in land and buildings for reinvestment in frontline services.	Capital receipt - £1.8M
Reduce the number of leases for unsuitable buildings.	Withdraw from Unit 89, Norman Industrial Estate, Milton and latterly Dryden House.
A more efficiently run estate/ principles of whole life costing applied.	Centralised cost and revenue streams established and planned maintenance initiated.
Improved service performance and quality.	More effective use of corporate assets at reduced cost through common business process

Table 6a: Non-financial benefits Associated with Options 3b

5.5 Risks and Impact

The risks and mitigating actions associated with the preferred Option 3b are detailed in Table 7a.

Risk	Probability	Impact	Mitigating action
Capital receipt value not realised.	B	2	- Keeping in close touch with the marketing agents. - Progressing planning applications/ investigations/ preparations for future disposals.
Difficulties in engaging key services.	B	2	- Senior Manager involvement in discussing option with employees.
CCC employees do not buy in to the option.	B	3	- Develop and implement an effective communication strategy and plan. - Provide support and advice to staff undergoing changes. - Ensure clear leadership is given from senior officers from across the council.
Disruption to service delivery.	B	3	- Planning of the design and delivery of the option with services.
Not minimising carbon footprint.	C	3	- Identify any potential investment in retained space to minimise carbon footprint.
Partner involvement impacts on scale and scope.	C	3	- Engage partners now to determine requirements. - Ensure cost/benefit analysis of including each partner is carried out.
Insufficient room for storage requirements	B	2	- Monitor use. -Work with Services to ensure they reduce storage to a minimum before solution implemented. -Ensure policies and processes completed to reflect only storage appropriate to be retained. - Identify other space could be used for storage
Location of storage remote from services	B	3	- Seek agreement from services for location of storage - Ensure storage of only those items that have business requirements

Table 7a. Key Risks Associated with Option 3b.

An extended risk analysis will be carried out as part of the planning work that will follow a decision to proceed with either of the preferred options. In addition, the impact of the Project on the Programme level risks already identified will be undertaken.

5.6 Issues

The major issues identified with either Option 3b are detailed in Table 8.

Issue	Action
Changes in storage requirements impact on space requirement	- Services to minimise storage before solution implemented - New/re-used storage facility to be flexible. - Options facilitate reduction of space in design
Outcome of the review of the Shire Hall Scheme will affect potential location of new space	- Monitor progress on Shire Hall scheme. - Identify potential sites/solutions
New ways of working including processes not developed	- Design/develop systems, processes and Guidelines alongside requirements for storage space. - Involve services in decision-making.
Changes to processes require organisation wide buy-in	- Produce clear process and guidelines. - Secure senior officer support. - Penalise non-compliance.

Table 8: Key Issues Associated with the Option 3b

6. Delivery Approach

6.1 Governance Arrangement

The project will adhere to the corporate approach to Programme and Project Management.

The governance of the project will be through the existing BUPA Programme structure. Table 9 below shows the key decisions and responsibilities assuming either Option 3a (1000m^2 facility) or Option 3b (No storage except legal/statutory items) is selected.

Key decision	Timing	Responsible
BUPA Programme Board approval to proceed to Cabinet	August 2009	Programme Board
Cabinet approval to proceed to Stage 1	September 2009	Cabinet
Stage 1		
Sign-off the project plan	Winter 2009/10	Project Sponsor
Agree the resource allocation	Winter 2009/10	BUPA Programme Board
Agree new policies and processes.	Spring 2010	Project Board
Sign-off the building requirements/design specification (3a only)	Spring 2010	Project Board
Agree capital sales and lease savings	On completion	Cabinet
Agree the appointment of contractor/s (3a only)	Summer 2010	Project Sponsor
Stage 2		
Expenditure of contingency monies (3a only)	Build phase	Project Sponsor
Agree any design changes (3a only)	Build phase	Project Sponsor
Agree finishes (3a only)	Build phase	Project Sponsor
Sign-off on building (3a only)	On completion	Project Sponsor
Carry out rationalisation programme	From Summer 2010	Project Manager
Move items to new location	From Summer 2010	Project Manager

Table 9: Key Decisions and Responsibilities Option 3a or 3b

The final two parts of Stage 2 should be considered as an ongoing process. This will be reflected in process documents.

6.2 Approach for Procurement

For any procurement activities associated primarily with Option 1b (buy and operate) or Option 3a (Small facility, plus utilisation of existing) the procurement rules for Cambridgeshire County Council will be followed.

Procurement will apply to the warehouse/office building to be used for storage.

This will be through a non-EU procurement method. Procurement will involve the production of a brief, assessment of tenders and appointment.

If the facility is 'stand alone' it will be procured through the design and build method under EU procurement rules.

- Create a design specification.
- Undertake the procurement process.
- Appoint a design and build contractor.
- Undertake detailed design work.
- Deliver the building.
- Close the work-stream to deliver the building.

The above only applies to building not to buying. A process for buying a facility will be required if that is the preferred option.

There is a potential opportunity for this project to be delivered as part of a larger project to deliver for example a new corporate site. This may open up further procurement methods:

- Local Asset Backed Vehicle (LABV). This would see a partnership formed with a private sector organisation to deliver this project as part of a larger development. Private Finance Initiative (PFI) may also be considered.
- Negotiated Tendering. This involves a lengthened tendering process and is designed to achieve better outcomes for large-scale projects.

A number of parallel work-streams would run alongside the procurements including service redesign, updated systems and processes, HR and communications.

The preferred option (3b) does not provide any additional storage space and therefore would not require a procurement exercise as illustrated above. For any additional office space required or other procurement activity associated with delivery of 3b the council’s rules will be followed.

6.3 Use of resources

There are a number of parallel work-streams running along with the implementation of any solution. The resources in Table 10 are required to deliver work-streams associated with Options 3a or 3b.

Resource	Type	Area of responsibility
BUPA project management	Internal - project delivery.	The work associated with delivering the project.
Other CCC service delivery teams, e.g. Strategy and Estates	Internal - service delivery input.	Advice and input into the solution design, layout and use.
Other CCC services who have storage requirements, e.g. Libraries and Archaeology	Internal - service delivery input.	Advice and input into the solution design, layout and use.
Other CCC services e.g. IT, FM, HR.	Internal - delivery of project elements.	Specialist resources required to deliver elements of the project including provision of IT design of the processes required, the movement of employees and stored items etc.
Internal property, finance and legal professionals	Internal - project delivery.	Professional advice and input into the delivery of the project.
Consultants	External - delivery of a building, design of racking etc.	Specialist advice in relation to delivering a building or design elements not able to be provided internally.
Contractor (and/or developer)	External - delivery of the building, installation of racking etc.	The delivery and design of the new facilities or elements within existing to meet the specification.

Table 10: Resources for Work-streams.

7. Suggested Course of Action.

It is clear that the provision of a new storage facility under Option 1b (buy and operate) would bring a number of benefits to the Council. However, the current economic climate, likely cost of such development and possible changes to local government structure suggest that Option 3b would represent a more prudent position. This solution would be well below the Net Present Cost (estimated NPC of £2.5m over 40 years) for the baseline and result in substantial revenue savings (with operating expenditure falling to around £70k pa).

There are major risks associated with the preferred option (3b), in particular the risk that there would be insufficient space for storage. If this risk is realised it may be necessary to either take on additional short-term warehousing whilst storage is rationalised down, or delay capital receipts allowing their extended use for storage.

In order for the suggested approach to have any chance of success, there will have to be a top down culture change programme agreed by SMT that will be driven and sustained throughout project implementation and beyond. Key enablers for successful implementation include:

- Director/Heads of Service awareness sessions prior to project start to gain commitment
- Agreed benefits and objectives the project will achieve
- A statement on the principles and policy of storage before implementation commences
- Agree volume and timescale targets with services to reduce stored items
- Regular review of progress with corrective action agreed with Directors/Heads of Service
- Determination of business-as-usual processes to ensure principles and benefits are sustained post project closure

Therefore Option 3b to move to a position where only legal and statutory items are stored is recommended.

8. Appendix

Below is the financial pro-forma for the Corporate Storage and Distribution project. To access the full pro-forma including timings see this link:
Finances\Merged Financials v0.4.xls

	Baseline	Option 1b	Option 2	Option 3a	Option 3b
CAPITAL					
1) Non-Recurrent Setup Costs					
Land	£0	£0	£0	£0	£0
Building	£0	£1,150,000	£0	£538,000	£0
Externals	£0	£115,000	£60,000	£53,800	£0
Fitout	£0	£120,012	£0	£61,200	£25,000
Move/Disposal Costs	£0	£112,812	£112,812	£85,170	£65,035
IT	£0	£0	£0	£0	£0
Office Reprovision	£0	£1,036,171	£1,036,171	£1,036,171	£1,036,171
Professional fees @ 15%	£0	£380,099	£181,347	£266,151	£168,931
Contingency @ 10%	£0	£291,409	£139,033	£204,049	£129,514
Sub-total	£0	£3,205,504	£1,529,363	£2,244,541	£1,424,651
2) Recurrent Capital Running Costs					
Maintenance - Warehouse	£66,555	£265,882	£4,992	£138,846	£36,163
Maintenance - Office Reprovision	£0	£346,500	£356,125	£346,500	£356,125
Sub-total (pa)	£66,555	£612,382	£361,117	£485,346	£392,288
3) Non-Recurrent Capital Returns					
Residual Value - Warehouse/Office Accommodation	£1,613,000	£3,205,504	£1,529,363	£2,244,541	£1,424,651
Capital Receipts	£148,000	£1,761,000	£1,761,000	£1,761,000	£1,761,000
Sub-total	£1,761,000	£4,966,504	£3,290,363	£4,005,541	£3,185,651
Net Capital Cost (40 Years)	-£81,445	£2,056,886	£129,480	£968,887	£55,939
Capital Costs/Savings (vs Baseline)		£2,138,331	£210,925	£1,050,332	£137,384
REVENUE					
4) Recurrent Running Costs					
Staff	£3,397,400	£3,397,400	£4,006,002	£3,397,400	£0
IT	£0	£0	£0	£0	£0
Distribution	£3,225,600	£3,225,600	£3,225,600	£3,225,600	£0
FM Costs - Warehouse	£6,989,033	£3,411,578	£4,899,365	£2,082,215	£667,181
Lease Costs	£5,169,000	£516,900	£6,787,202	£516,900	£387,675
Mark-up/Profit @ 25%	£0	£0	£3,533,330	£0	£0
FM Costs - Office Reprovision	£0	£2,376,000	£2,442,000	£2,376,000	£2,640,000
Sub-total (pa)	£18,781,033	£12,927,478	£24,893,499	£11,598,115	£3,694,856
5) Non-Recurrent Running Costs					
Employee Reorganisation Costs	£0	£164,412	£164,412	£164,412	£164,412
Storage Rationalisation/Change management	£0	£100,000	£100,000	£320,000	£276,000
Project Management Costs	£0	£250,000	£200,000	£250,000	£150,000
Cost of Borrowing (Prudential)	-£264,268	£2,842,574	-£6,503	£1,180,057	-£154,197
Sub-total	-£264,268	£3,356,986	£457,909	£1,914,469	£436,215
Net Revenue Costs (40 Years)	£18,516,765	£16,284,465	£25,351,408	£13,512,584	£4,131,071
Revenue Costs/Savings (vs Baseline)		-£2,232,301	£6,834,643	-£5,004,181	-£14,385,695
OVERALL					
Total Project Cost (Incl. Res Value)	£16,822,321	£15,135,847	£23,951,525	£12,236,931	£2,762,359
Net Present Cost*	£8,528,888	£9,243,996	£11,951,667	£7,416,307	£2,454,888