



REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

SUBJECT: DEPOT AND STORE REVIEW

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 The purpose of this report is to provide an update on progress in relation to the Depot and Store review and seek Committee approval of the outline business case and the request for resource.
- 1.2 This report is submitted to Committee in terms of Section III (F) (3) of the Council's Scheme of Administration relating to industrial and commercial development.

2. RECOMMENDATION

2.1 It is recommended that Committee:-

- (i) approves the Outline Business Case for the Depot and Store Review;**
- (ii) agrees to fund a project resource of a temporary Senior Project Officer at grade 11 for an initial period of 1 year from the initial savings generated (£64,700) and the balance from reserves (£11,300); and**
- (iii) notes that a further update on progress will be provided once the full business case is developed.**

3. BACKGROUND

- 3.1 On 12 December 2018, the Council approved a report which detailed recommendations aimed at improving how the Council manages and maintains its property assets (paragraph 6 of the Minute refers). On 29 October 2019, the Policy and Resources Committee approved a report detailing the Property Asset Management Appraisal (PAMA) Improvement Plan with the status of actions (paragraph 13 of the Minute refers). On 30 June 2021, the Council approved a report which outlined progress and indicated that delays to progress had been sustained due to the Covid-19

pandemic and changes of senior lead officers (paragraph 14 of the Minute refers).

- 3.2 On 30 August 2022, the Corporate Committee approved a report which provided an update on the PAMA which contained the decision to merge the Depot and Store reviews to ensure maximum benefits to the Council (paragraph 7 of the Minute refers). On 6 September 2022, this Committee received an update on the now combined review (paragraph 12 of the Minute refers). Finally, on 20 June 2023, this Committee approved a report which provided a further update on progress of the review and included some early actions to provide some financial savings (paragraph 13 of the Minute refers).
- 3.3 The report on 20 June 2023 indicated that the outline business case for the depot and store review would be reported before 31 December 2023. Unfortunately, this target was not met primarily due to resources being diverted to review and develop budget options and also the actions required to respond to the Reinforced Aerated Autoclaved Concrete (RAAC) investigations required.

4. PROGRESS AND NEXT STEPS

- 4.1 The report to this Committee on 20 June 2023 outlined 5 properties which could potentially be removed from the Council's portfolio. Since then, actions have been taken to progress this rationalisation and the table below details the outcome.

Property	User	Outcome
Unit H Isla Bank Mills, Keith	DLO	Property vacated and relet to private company. Operating cost saving of £33,500 per annum plus unit let to new tenant at £26,200 per annum.
Dava garage	Roads	Agreement reached with landlord to terminate lease. Currently progressing demolition as required by lease terms prior to property being handed back.
Dufftown depot	Roads	Services relocated to Keith depot however still required for salt store. Full saving not possible until replacement salt facility available. Design work progressing on new facility likely to be completed in next financial year. Expected operational cost saving

		initially of £5,000 plus reduction in back log maintenance cost.
Household Waste Recycling Centre (HWRC), Conglass Lane, Tomintoul	Roads	Service recommended to be relocated to Roads Depot in Tomintoul, however due to potential conflicts between public traffic and Council operations decision made to retain separate facility.
Auchinhove salt store	Roads	Only used to store salt cannot be made available until alternative salt facility completed in Keith Depot.

- 4.2 Since the report in June further engagement with services has been undertaken and an outline business case for the rationalisation of the Council's depots and stores has been developed, a copy is attached in **APPENDIX I**.
- 4.3 The OBC outlines the need for investment within the Council's depots and stores in order that they can be brought up to a B standard for condition and suitability. The current do-nothing situation would require capital investment in the region of £3.72M to ensure the existing properties meet this standard. This capital investment would cost the Council circa £260,000 per annum in currently unbudgeted revenue costs. This additional cost is not sustainable and therefore a reduction in the operating costs for the properties is required to support investment. Therefore a review of the depots and stores is required to identify the savings opportunities to permit capital investment without placing additional pressure on the Council's revenue budget.
- 4.4 Through the engagement with services and information gathering stages of the development of the OBC it is clear that there are opportunities to rationalise the estate and generate revenue savings. The OBC has considered 4 options. The options identified are:
- Option 1 As Is – Retain Existing Depots & Stores – Business as usual.
 - Option 2 Do the Minimum – Progress a phase of property rationalisation and consolidation targeting 'low hanging fruit' sites.
 - Option 3 Intermediate – Phased approach of property rationalisation and service footprint reduction.
 - Option 4 Maximum – Property rationalisation and service transformation in a big bang.

- 4.5 The principle as we move from option 1 to option 4 was to consider a centralised model, with option 4 being a single site likely to be in the central area of Moray and options 2 and 3 looking at varying degrees of rationalisation of services into single sites within the larger settlements of Moray. Section 4.3 of the OBC provides details of each option.
- 4.6 In addition to cost avoidance/revenue savings, the OBC sets out the following benefits that are anticipated to be generated from the rationalisation of the depot and store estate along with initial targets:

Benefit	Target
Cash Releasing	
Reduced operating costs	10-20% reduction in operating costs.
Increased external revenue income	Generate £200,000 of additional external rental income per annum.
Capital receipts	Generate £50,000 in capital receipts from surplus assets.
Non Cash releasing	
Reduction in Operational Estate carbon footprint	Reduce carbon emissions from depot and store estate by 20%.
Quantitative	
Reduction in the number of industrial units being internally leased	Reduce units within investment portfolio leased internally by 5 units.
Qualitative	
Increase in team working	Increase number of multi service buildings/sites by 3 to 4 in total.

- 4.7 An appraisal of the options was undertaken and is detailed within the OBC with each option considered against the objectives of the project and the critical success factors outlined in the OBC.
- 4.8 The OBC recommends that the Council undertake a phased approach of property rationalisation and service footprint reduction as defined in option 3 with the target of rationalising 14 depots and stores to primarily 4 multi use facilities at Ashgrove Elgin, Buckie, Forres and Keith and a single DLO facility in Mosstodloch. At this stage in the development of the project, this option is likely to have a phased capital expenditure requirement in the region of £7.32M, however the option could release annual operating revenue cost savings of £310,000 and additional new annual revenue income from surplus leased properties of £192,000. The revenue elements combined provides a potential revenue saving (before capital borrowing costs) of circa £500,000 per annum on completion. The OBC provides details on these savings and indicates the point when the project will break even which is within the first 15 years. Further the cost of financing the capital required is estimated to be in the region of £500,000 therefore it is not expected that selecting the preferred option would place any extra pressure on the Council's capital plan as the cost of borrowing should be offset by savings generated. As the OBC matures to FBC, the financial and economic cases will be further developed and a focus applied to generating net savings where possible. Pending that process

and based on current OBC projections, the project will avoid further capital expenditure on an unsustainable asset group and will instead apply this to developing modern and efficient depots and stores which will not only materially improve working conditions for our workforce but also potentially bring additional benefits.

- 4.9 In particular, it should be noted that option 3 best links with the draft ZERO EMISSION FLEET REPLACEMENT STRATEGY which is also being considered at this committee where there is a desire to increase charging infrastructure at the Ashgrove Depot to develop a green hub. If approved, the intention would be for the teams working on both projects to work collaboratively to ensure both projects deliver for the Council. In addition to linking with the Zero Emission Fleet Replacement Strategy, it is expected that the work to be undertaken to rationalise the depots and stores will help open up opportunities for wider public and third sector property sharing. It is expected that as the project progresses these opportunities will be forthcoming and will bring additional cost savings. This type of approach is mirroring progress made within the office estate where with the work undertaken to date this has permitted the opportunity to engage with partners to investigate additional income opportunities to the Council.
- 4.10 It is therefore recommended that the OBC is approved, and officers instructed to progress the development of the Full Business Case in relation to the project.
- 4.11 If Committee is minded to approve the OBC it is recommended, as set out in the OBC, that a dedicated staffing project resource is established to drive this project forward. Within the financial assessments in the OBC an allowance of £100,000 per annum has been built into the model. At this stage it is anticipated this would be to provide a Senior Project Officer (SPO) post to lead the project at a grade 11. This project is complex with multiple properties and services involved along with important links to other Council strategies. Experience has shown that there is a need for a dedicated project resource with appropriate project management skills to ensure the project progresses at an appropriate rate to deliver savings to the Council. There are no immediately identifiable alternatives to resource the project other than the proposed additional resource as several other projects are underway which are impacting on the same teams that would support this project. It is proposed that Committee approve an initial 1 year of SPO resource at £76,000 including on-costs to permit the development of the FBC with the intention that this would be completed by 31 December 2024 and reported to Committee before 31 March 2025. The FBC would then outline future project resource requirements and funding and would aim to identify cashable savings over and above the cost avoidance within Option 3.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

This project forms part of the Improvement and Modernisation Programme of Work that supports the Council priorities of building a

stronger, greener, vibrant economy and building thriving, resilient and empowered communities by providing modern and sustainable services and infrastructure.

(b) Policy and Legal

None.

(c) Financial Implications

The Financial implications are outlined within the OBC. If approved there would be a requirement to fund the additional staff resource in advance of savings to fully offset this cost being generated from the project. It is estimated that the cost of the SPO for 1 year would be £76,000 (including on-costs). Currently savings of circa £64,700 has been generated from early actions resulting in a gap of funding of £11,300.

Corporate Management Team Additional Expenditure Warning

When the Council approved the budget for 2024/25 on 28 February 2024 it balanced only by using reserves. The indicative 3 year budget shows a likely requirement to continue to make savings in the order of £13 million in the next two years. All financial decisions must be made in this context and only essential additional expenditure should be agreed in the course of the year. In making this determination the committee should consider whether the financial risk to the Council of incurring additional expenditure outweighs the risk to the Council of not incurring that expenditure, as set out in the risk section below and whether a decision on funding could reasonably be deferred until the budget for future years is approved.

As the budget has been balanced using reserves and reduced free general reserves to the policy minimum, this would use further earmarked reserves of £11,300 in 2024/25. There would be no future year increase in costs as this is a proposed temporary post.

(d) Risk Implications

The main risks with the project will be timescale for delivery and cost increases. The request for additional staff resource is to mitigate the risk of this project continuing to be hampered by competing Council priorities.

The risk of not progressing the depot and stores review is that increase spend would be required on the existing properties which would place an unbudgeted financial burden on the Council.

(e) Staffing Implications

As stated above, in order to progress this project timeously, there should be a staff resource brought in to lead the development of the FBC. It is proposed that a Senior Project Officer at Grade 11 for an initial period of 1 year is brought in. Additional staff resource to support the project will come from the Housing and Property Service however

support will be required from the services who occupy the depots and stores along with Finance support.

(f) Property

The property implications are as detailed in this report and the attached OBC.

(g) Equalities/Socio Economic Impact

There are no equalities or socio-economic issues arising from this report. However, these will be appraised within the full business case.

(h) Climate Change and Biodiversity Impacts

No climate change or biodiversity implications have been identified relating to the recommendations of this report. However, any decisions on the future of property assets will be heavily influenced by the Council's strategy.

The Depot and Store review will help to decarbonise the Council's property portfolio and will support the decarbonisation strategy for the Council's fleet.

(i) Consultations

The Head of Housing and Property Services, Head of HR, ICT and Organisational Development, Chief Financial Officer, Legal Services Manager, the Head of Environmental and Commercial Services, Building Services Manager, Design and Construction Manager, the Equal Opportunities Officer and Lissa Rowan, Committee Services Officer have been consulted and their comments incorporated in this report as appropriate.

6. CONCLUSIONS

6.1 Committee note the progress on the rationalisation of the previously identified assets for rationalisation.

6.2 Committee note and approve the contents of the Outline Business Case.

6.3 Committee approve the use of savings and also reserves to provide the resources to appoint a Senior Project Officer to lead this project for an initial period of 1 year to develop the Full Business Case.

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Background Papers:

Ref: SPMAN-1285234812-1531