

APPENDIX 1

BUSINESS CASE

Project/Activity Name:	Draw down of Corporate Plan Investment in Cefndy
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Project Sponsor:	Phil Gilroy	Directorate:	Adult & Business Services
Project Manager:	Deborah Holmes-Langstone	Service Area:	Cefndy Healthcare & Manufacturing
Form completed by:	Deborah Holmes-Langstone	Date of Proposal:	23.5.13

PROJECT TYPE

Within Denbighshire's Project Management Methodology projects are broadly categorised into three types. Please mark a cross in the box that best describes your project.

BUSINESS DEVELOPMENT PROJECT – which is concerned with bringing about some form of organisational change e.g. new method of delivering a service, new software system, etc.	✓
CONSTRUCTION PROJECT – which is concerned with the creation of a new building or structure, or the significant alteration, refurbishment, extension or maintenance of an existing building or structure.	
PROGRAMME – which is a collection of projects and other items of work managed coherently together e.g. maintenance schemes, grant schemes, highway repair and construction scheme, etc	

PROJECT SCALE

Different sizes of projects require different amounts of management control. Denbighshire's Project Management Methodology provides a matrix to assess the scale of your project (please see page 4 of the Project Management Handbook – Lotus Notes/Denbighshire Information Centre/Project Management/Project Management Handbook). Please mark with a cross your assessment of this project's scale.

Small	<input type="checkbox"/>	Medium	<input type="checkbox"/>	Large	<input checked="" type="checkbox"/>
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BACKGROUND INFORMATION

This section should provide a brief description of the project/activity you propose to undertake and the reason it is required. You should assume that the reader has no background knowledge.

Cefndy Healthcare & Manufacturing is a department within Adult & Business Services and is a factory based in Rhyl that exists to provide meaningful employment and training to disabled people. Cefndy's business is the manufacture and supply of tubular steel products used by disabled people and the elderly. Customers include the public sector (NHS & Social Services), businesses (both UK and export), charities and consumers.

Cefndy employs 45 disabled people and also provides meaningful daytime activities for 3 people with a learning disability. All employed enjoy Denbighshire County Council's Terms & Conditions of employment. Disabilities include physical and sensory impairment, mental health challenges, learning disabilities and behavioural challenges. Cefndy's factory is located in Rhyl and Cefndy is one of the largest Rhyl employers.

Whilst Cefndy's business has grown consistently since 2008, it's budget from DCC has reduced in line

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with efficiency expectations and by 2014 it aims to be operating at zero budget. However the financial position is compromised by a further reduction in income c/o the Dept of Work & Pensions "Workchoice" funding ceasing in 2015/16 and this amounts to a £225-£250k based on £4800 per head for each disabled person employed.

The net profit impact of loss of both DCC budget and DWP "Workchoice" funding will equate to a net loss of £113k by 2015/16.

This business case proposes that if investment in new plant is approved, the deficit will be recoverable – or rather, will be avoidable.

For information, Cefndy has been in operation since 1976. All plant is now very aged, very costly in terms of poor efficiency and breakdowns and productivity is constrained by antiquated processes and out of date performance standards. In addition, the Fire Risk Assessment of July 2012 highlighted areas for critical improvement, namely compartmentation risks, the need for fire alarm upgrade, improved heating and emergency and general lighting. Property Services have a £30k budget (funding) for FRA works but this does not cover full costs.

Investment in Cefndy, will therefore ensure the sustainability of the service going forward and ensure that the Corporate Priorities below are maintained. The priorities Cefndy contributes to are:

- Vulnerable people are protected and are able to live as independently as possible
- Developing the local economy

OUTPUT/PRODUCT

The output/product should always be something tangible and physical:

- For **Business Development projects where there is no capital investment**, the output/product will be the result of project e.g. a policy or strategy document, a re-structured organisation, an event.
- For **Business Development projects where there is a capital investment requirement** the output/product will be what is actually purchased with the funding e.g. a new software system.
- For **Construction projects**, the product/output will always be some type of building or structure, and it is helpful if this section of the Project Proposal form can include a brief description of the building giving an indication of the proposed size and use if known.

- 2 x new CNC benders
- 1 x new parts for the Powder Coating Plant (the casing is fit for purpose, only mechanical parts being replaced)
- 1 x new Compressor
- Fire Alarm upgrade
- General Lighting upgrade
- New Heating System
- Repair to concrete gutter support beam within Powder Coating Section

BENEFITS

The benefits are the quantifiable and measurable improvement resulting from completion of the project/activity outputs detailed above. All projects/activity should deliver some benefits, and consideration should be given to economic, environmental, social and business benefits.

- Sustainable disabled employment
- Increased productivity/to counter the loss of DWP funding ie, allow Cefndy to match expenditure to income
- Reduced costs eg, breakdown of machinery causes increased costs of production with the need to sub-contract at times of breakdown in order to maintain contractual terms. Even short term breakdowns inflate costs as overtime is then needed to "catch up".
- Heating & lighting systems that comply with H&S requirements

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PERFORMANCE INDICATORS

Performance Indicators are measures of success which can be used to assess whether the benefits (NOT the output/product) detailed above have been delivered. Where appropriate, these indicators should relate to those detailed in the relevant Directorate and/or Service Business Plan.

Performance Measure/Indicator	Current Baseline	Target (14/15)	Target (15/16)	Target (16/17)
Reduced gas costs	Savings as follow	-£9,747.93	-£9,942.89	-£10,141.75
Reduced electricity costs		-£14,973.50	-£13,310.29	-£13,460.02
Increased productivity		+28%	+28%	+28%

KEY STRATEGIC DOCUMENT

In which one key strategic document is this project referenced? For example, all construction projects should be detailed in the relevant Service Asset Management Plan (SAMP). Business improvement investment should be detailed in the Service Business Plan or Denbighshire's Improvement Plan.

Denbighshire's Corporate Plan 2012-17 page 10

OVERARCHING AIMS / CORPORATE PRIORITIES

This section should identify how the project/activity supports Denbighshire's overarching aims and/or corporate priorities

- Vulnerable people are protected and are able to live as independently as possible
- Developing the local economy

TIMESCALES

This section should outline the desired timescales for the activity. It should include all gateways and other key milestones including when the project/activity is proposed to commence and when the project/activity will be complete (and the output detailed earlier achieved).

Date	Milestone
July 2013	Approval of Cabinet to draw down on corporate reserve
Aug 2013	Order placed for mechanical parts for Powder Coating Order placed for compressors Repair of concrete beam in Powder Coating
Sept 2013	Tender written for CNC benders
Nov 2013	Compressors installed
Nov 2013	Tenders returned and evaluated
Nov 2013	New heating & lighting systems installed
Dec 2013	Fire Alarm upgrade
Dec 2013	Powder coating refurb (Xmas holiday shut down to minimise production disruption)
Jan 2014	Place order for CNC's
April 2014	Installation & trialling of new CNC's

BIODIVERSITY IMPACT

Will this project impact on a habitat that supports living organisms (plant or animal)?	Yes		No	X
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CAPITAL COSTS – BUSINESS DEVELOPMENT PROJECTS

Please provide details of any capital funding that has already been spent on the project:	
Enter details of cost element below:	Total
Feasibility (surveys, market research, etc)	Ops Manager work time
Client side project management	Service Manager
OTHER (please enter)	Property Services
OTHER (please enter)	Procurement Services for tendering
TOTAL	

Please provide details of the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2014/15	2015/16	Future Years	All Years Total
Feasibility (surveys, market research, etc)				
Client side project management				
ICT infrastructure and hardware				
Building alterations				
Design Team Fees (architects, QS, etc)				
Furniture				
Other professional support (legal, etc)				
Marketing/Consultation				
External Project Support (gateway review, etc)				
OTHER (PDF Marketing Brochure)				
OTHER – 2 X CNC BENDERS & software/tooling	£350,000	£0	£0	£0
OTHER – 1 X MECHANICAL PARTS REPLACEMENT IN POWDER COATING	£110,964	£0	£0	£0
OTHER – 1 X COMPRESSOR	£5,800	£0	£0	£0
OTHER (Lighting System)	£16,291	£0	£0	£0
OTHER (Heating System)	£11,000	£0	£0	£0
OTHER (Concrete beam repair – from Fire Risk Assessment))	£7,000	£0	£0	£0
OTHER (Fire alarm upgrade – from Fire Risk Assessment)	£15,000	£0	£0	£0
TOTAL	£516,055	£0	£0	£0

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2014/15	2015/16	Future Years	Total
Corporate investment	Applied	£500,000			
TOTAL		£500,000			

REVENUE COST IMPACT

If the activity will result in a requirement for additional revenue funding, please provide details below:			
What is the impact of this project in terms of the <u>annual</u> revenue requirement for:	Existing Revenue Budget	Post-project Revenue Budget	Increase/Decrease
staff costs (salaries and associated) – Direct Labour	£812,705 in 2013	£787,331 in 2016 (allowing for +1% pa possible pay inc)	–£25,374 by 2016
staff costs (salaries and associated) – Management, Supervisors, Administration, Technical Staff	£502,452 in 2013	£517,577 in 2016 (allowing for +1% pa possible pay inc)	+£15,125 by 2016 (allowing for increase up scales)
energy costs (heating, lighting, ICT, etc)	£78,802	£54,944	–£23,858 average over 3 yrs

Please provide brief details of the revenue impact of this project:

- Where revenue savings are forecast, you should detail what is proposed for the saving (e.g. reduction of an existing revenue budget, re-allocation of revenue to alternative services area, etc)
- Where revenue increases are forecast, you should provide details of how the revenue shortfall will be addressed. In this instance you should also append a three year surplus/deficit forecast.
- Details of any one-off revenue cost requirements that may be required post-project implementation (e.g. recruitment, redundancies, etc). DO NOT include any costs detailed in the capital section of this Business Case

See Appendix 3 (Detail going to Strategic Investment Group 3 July)

CARBON MANAGEMENT IMPACT

Forecasts:	Annual (current)	Carbon Equivalent	Annual (Post Project)	Carbon Equivalent	Carbon Variance
Energy consumption: (UNIT = kWh)					
CNC	78,700		69,900		
Powder coating	217,500		183,750		
Compressors	20,000		16,000		
Lighting	?		?		
Mileage of Denbighshire Fleet vehicles: (UNIT = miles travelled)					
Tonnes of waste produced going to landfill: (UNIT = tonnes)					
Tonnes of waste produced being recycled: (UNIT = tonnes)					
Mileage of Business Travel (personal vehicles): (UNIT = miles travelled)					
TOTAL CARBON EMISSIONS	316,200 (ex lighting)		268,750 (ex lighting)		

RISK ASSESSMENT

Assuming that the activity detailed in this Business Case is approved, please assess the level of risk associated with delivering the project in the key areas detailed below by ticking the appropriate box.

Risk description	Low	Med	High
That utility savings will not be delivered		C2	
That plant breakdown will continue to interrupt production schedules		D3	
That costs will be more than the budgeted amount		D2	
That increased productivity will not be as anticipated	D4		

Please provide brief details of any other specific risks associated with the development and delivery of this project.

<ul style="list-style-type: none"> • That delays in being able to procure new plant/machinery/heating and light systems and will enhance the risk of escalation of costs and incidents of breakdown • That in the event that critical plant became unusable within the period that approval is being sought, Cefndy would not be able to produce (some work could be sub-contracted but not all) but would still be liable for the salaries of its staff • That failure to produce would expose Cefndy and the Council to penalty clauses and re-charging from other public sector bodies Cefndy is contracted to supply to. • That sickness absence is likely to increase in the winter months if a warm, effective heating system is not secured.

OPTIONS APPRAISAL

Option title:	Do Nothing				
Please provide brief details:					
If Cefndy were to carry on and do nothing, there is an increased likelihood of costs increasing (ageing plant, outdated and inefficient heating/lighting systems)					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more	X	Time	Takes longer to deliver	X
	Costs the same			Takes the same to deliver	
	Costs less			Is quicker to deliver	
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	X		Worsens benefits	X
What is the main reason this option has not been selected?					
The increased costs combined with the loss of revenue from DCC and DWP will mean Cefndy's future is in jeopardy and disabled people will likely be out of work as a result.					

Option title:	Request ongoing DCC revenue budget				
Please provide a brief description of this option:					
If DCC were to continue with a financial subsidy, Cefndy could weather the storm of loss of DWP funding					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more	X	Time	Takes longer to deliver	X
	Costs the same			Takes the same to deliver	
	Costs less			Is quicker to deliver	
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	X		Worsens benefits	X
What is the main reason this option has not been selected?					
There would be a revenue strain on Adult & Business Services budgets and this would still not address the issue of inefficient processes that are creating unnecessary cost					

Option title:	DCC put capital investment into Cefndy				
Please provide brief details:					
That new plant, machinery, heating and lighting systems be approved					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more	X	Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	
	Costs less			Is quicker to deliver	X
Quality	Improves the quality	X	Benefits	Improves benefits	X
	Is the same quality			No impact on benefits	
	Is a lower quality			Worsens benefits	
What is the main reason this option has been selected?					
Option 3 is recommended as this would allow					

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PROCUREMENT STRATEGY

If the project involves any financial expenditure, please provide details of how you intend to procure the services/goods/works

For the procurement of the CNC Benders there would need to be a OJEU tendering process given the level of expenditure; for the Powder Coating refurb, we would still need to tender, but on a local level with adverts.

For the Compressors we already have 2 quotes for but in actual fact do not need this.

Property Services have sourced quotes for Heating and Lighting systems and would employ their processes to procure.

BUSINESS CONTINUITY

Please provide any details of how this project might/will impact on business continuity and/or disaster recovery plans

This investment has a positive impact on business continuity as service level agreements will be written into any contracts, whereby response/repair will be within 24 hours of any fault.

FEASIBILITY REQUIREMENTS

YOU ARE NOT REQUIRED TO FILL IN THIS SECTION UNLESS YOU ARE SEEKING FUNDING FOR FURTHER PROJECT FEASIBILITY

Please provide brief details of the feasibility activity you propose to undertake and the reason it is required.

Please provide details of proposed feasibility funding sources:	Amount required
• Service Area existing budget	
• Asset Management Feasibility Budget (for construction projects requiring less than £5,000 feasibility funding)	
• Capital Budget (for projects requiring more than £5,000 feasibility funding)	
• EXTERNAL FUNDING (please enter source)	
TOTAL FEASIBILITY FUNDING REQUIREMENT	