

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	16 th June 2011
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Whitemyres Centre (Central Stores)
REPORT NUMBER:	CG/11/070

1. PURPOSE OF REPORT

To advise the Committee of the forthcoming contributing factors which impact significantly on the economic viability of the Whitemyres Centre (Central Stores). Further to advise Committee of the proposed courses of action to ensure the Council is not impacted with any financial loss.

2. RECOMMENDATION(S)

- i) The cessation of current operations at the Whitemyres Centre with effect from the 30th September 2011.
- ii) For the nine members of staff affected by the proposed closure to be supported in full in accordance with HR and Council Policies relating to redeployment and voluntary severance.
- iii) Agree the migration to national contracts for the particular product ranges where applicable.
- iv) Appropriate officers consider the future use of this facility, reporting to this Committee in due course.

3. FINANCIAL IMPLICATIONS

The budget for Whytemyres for 2011/12 shows a net figure of £114K of income, after allowing for Priority Based Budgeting (PBB) Savings of £100K. The downturn in usage outlined under Background/Main Issues below and the outturn for 2010/11 the year end position for 2011/12 is expected to be net expenditure of £7K. The foregoing is expanded in the following table.

Staff Costs	275	275	140	135
Premises Costs	132	132	12	120
Admin Costs	40	40	30	10
Transport Costs	48	48	24	24
Supplies & Services	1,779	900	500	400
Capital Financing Costs	12	12		12
Income	(2,400)	(1,400)	(700)	(700)
	<u>(114)</u>	<u>7</u>		<u>1</u>

4. OTHER IMPLICATIONS

Arrangements will be in place to ensure the nine members of staff affected by the proposed closure are supported in full in accordance with HR and Council Policies relating to redeployment and voluntary severance.

Arrangements are in place to migrate across to national and sector contracts with effect from 1st October 2011 for all products currently supplied by the Whitemyres Stores. Sites will receive deliveries from multiple suppliers from this date onwards. These arrangements will also be adopted by current partners.

5. BACKGROUND/MAIN ISSUES

The Whitemyres Stores operation was established in 1982 by Grampian Regional Council. At that time its purpose was to primarily act as a 'one stop shop', consolidating the needs of schools, for high volume usage, economy of scale goods. The Stores buy these goods in bulk and facilitate the delivery provision direct to customer sites. The operation gradually expanded over time to facilitate the needs of all internal services and partner organisations such as Aberdeenshire Council, Grampian Fire & Rescue Service and the voluntary sector in the Grampian area. Whitemyres supplies to approximately 1200 separate sites across Grampian and peaked with an annual sales turnover of circa £2.2M during financial year 2008/2009. However a move across to national contracts for stationery and office supplies, which were the main turnover lines, have impacted heavily with this figure dropping to £ 1,414,089 for financial year 2010/2011. It should be noted that there has been annual and recurring procurement savings of £234,000 on stationery supplies for Services, which have been extracted from appropriate budget lines, since this time.

The Store has operated with an on-cost for operational costs but there has never been any profit margin in addition. The Stores have

consistently reported a year end break even scenario every year since being established up until 2009/2010. The dip in the recent turnover has been partially offset in the main by not filling vacant posts. The operation has always been shown to be viable in the pricing models to customers from annual benchmarking exercises against the private sector.

The next highest turnover product ranges are paper toilet tissues and towels. A national contract has been concluded and the pricing is at a level that the operation cannot compete with. From a Service perspective this will equate to a saving on these particular products of circa £70K pa. This product range aligned with the stationery and office supplies accounts for approximately 50% of the overall operation. The ongoing operation is there not sustainable.

The main contributing factors which have led to the proposed course of action can be summarised as follows:

National contracts using the collective buying power of the whole of the Scottish public sector that offer pricing that just cannot be matched;
Significant reductions in service budgets of both the Council and its partners which impact on the buying power of the Stores;
Reduced number of customers sites due to building, asset and staff rationalisation programmes.

6. BACKGROUND PAPERS

N/A

7. REPORT AUTHOR DETAILS

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