Project "Outsource Operating Model for Supply Chain Operations"

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CANDIDATE PROJECT

Candidate Project Outline	
Project ID:	CPO_003
Project Name:	Outsource Operating Model for Supply Chain Operations
Outline description of candidate project	
Outsource operating model and run-down warehouse stock as low as possible. Negotiate strategic managed service partnerships and with consigned stock agreements (for remaining stock). Replace 'Stores' with "Oracle Inventory Consigned Stock" to provide industry best practice solution Leverage existing Finance and SCM SMEs with responsibility for maintaining service, and setting up and supporting solution. Provide supplier training for Oracle Inventory solution as necessary. Unwind Stores, Servitor and eConsole where relevant and related point-point solutions.	
CP Level:	Enterprise Candidate Project
Rationale/Business Problem	
Free up Council capital by winding down stores and disposing of heavy plant machinery and vehicles. Reduce annual expenditure by reducing cost of maintaining and staffing warehouse. Remove need for maintaining stock records and associated IT systems by transferring record-keeping to suppliers. XXX Council's Stores, Servitor and eConsole solution rely on point-point integration resulting in un-timely version of the truth and pockets of expertise leading to repetition and higher maintenance effort. Oracle Inventory will provide timely standard best-practice single version of the truth solution and will pave the way for continued optimal business operating model through vendor consigned stock removing the need to hold stock. This project would procure and implement Oracle Inventory to deliver best-practice solution with savings of **£1.1m to £1.8m annually**.	

Additionally, this implementation will provide XXX Council with scalability to increase in size and capability without a disproportionate increase in inventory, warehouse and head office staff cost, which otherwise would have been required.	
Option	Description
Baseline Option	No change. Continue with current Stores, Servitor and eConsole solution with point-point integration having multiple sources of truth. Business and IT continue to deliver services in pockets of expertise and continue maintaining high value stock and operations.
(Option A) *Outsource Operating Model replacing Stores, Servitor* and eConsole *with Oracle Inventory Consigned Stock*	Outsource Operating model negotiate strategic managed service partnerships and consigned stock agreements, replace Stores, Servitor and eConsole solutions with Oracle Inventory Consigned Stock providing timely single source of truth through industry best practice solution.
(Option B) *Outsource Operating Model replacing Stores, Servitor and eConsole with Oracle Inventory*	*Outsource Operating model negotiate strategic managed service partnerships, replace existing Stores, Servitor* and eConsole *solutions with Oracle Inventory providing timely single source of truth through industry best practice solution.*
(Option C) *Outsource Operating Model keeping Stores, Servitor* and eConsole	*Outsource Operating model negotiate strategic managed service partnerships, keep existing Stores, Servitor* and eConsole *solutions.*

Stakeholders	
Name/Role	Interest
XXX	Deputy SRO
XXX	Fusion Programme Manager
XXX	Business Change Manager (Oracle Fusion)
XXX	IT Services Project Manager
Summary Use Cases	
Use case	Use case description
1	Outsource operations to strategic partners significantly reducing stock and further reduce stock with consigned stock operations.
2	Outsource operations to strategic partners significantly reducing stock.
3	
4	
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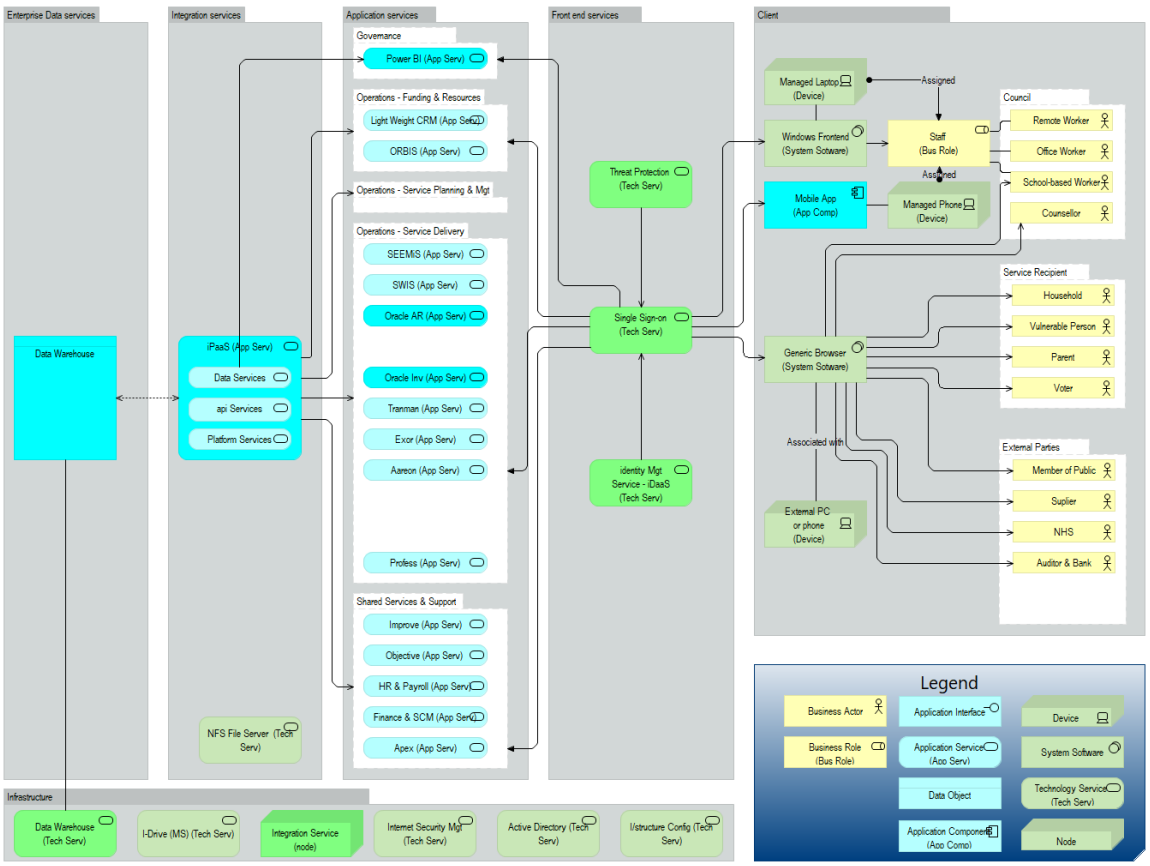
6	

7	

Potential Target Architecture



Summary Business Case

<u>Baseline Option</u>	<u>1-year Costs</u>
Software	Stores – unknown, assuming ~**£8,750** annually Servitor – **£8,750** annually eConsole - **£47,333** annually

Hardware	Assume two VMs (Prod & Test) per application @ ~ £40 pcm Stores – £40 X 12 X 2 = **£960** Servitor – £40 X 12 X 2 = **£960** eConsole - £40 X 12 X 2 = **£960**
IT Staff	½ Sys Admin, ½ DBA and 4-5 Application Support £50k X 6 = **£300,000**
Warehouse	Warehouse Capital Costs for Housing and Roads (not realised in this proposal)
Closing Stock	Housing - **£1,200,000** (stock movement of ~ £5,000,000) – no vendor owned stock Roads - **£1,800,000** (stock movement unknown) – assuming no vendor owned stock Waste & Ground Maintenance = **£113,000**
Equipment	Heavy equipment and machinery, unknown (assume 5% of closing stock, £150,000) Vehicles, unknown (assume 5% of closing stock, £150,000) Total = **£300,000**
Warehouse & Transportation Staff	Housing – (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 = **£1,080,000**) Roads - (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 **= £1,080,000**) **Note:** Head count assumptions above are conservative.
Maintenance Staff	Housing – (3 locations, 12 per location, 36 staff @ £30,000 = **£1,080,000**) Roads - (3 locations, 12 per location, 36 staff @ £30,000 = **£1,080,000**) **Note:** HAT head count figure is 1443, assumption above are conservative.

	1-year Benefits
	None.
Total costs	**Approx ~£8m**

Option A *Outsource Operating Model replacing Stores,* Servitor and eConsole *with Oracle Inventory Consigned Stock*	1-year Costs
Software (Subscription)	Assume same as baseline Hardware & Software cost £67,713 (i.e. Net Zero)
Implementation	~£500,000 **Disclaimer:** The implementation figures are for illustration purposes and are not intended to for a form of quotation or a financial commercials commitment.
Training	~£50,000 **Disclaimer:** The training figures are for illustration purposes and are not intended to for a form of quotation or a financial commercials commitment.
Total costs	**£550,000 in year 1**
	1-year Benefits
IT Staff	Subsumed into current Finance and SCM SMEs Savings of £50k X 6 = **£300,000**

Warehouse	Warehouse Capital Costs for Building and land (not realised in this proposal)
Closing Stock	Housing - **£1,200,000** (stock movement of ~ £5,000,000) – no vendor owned stock. Assuming 50% moves to Outsource Model and remaining 30% moves to Consigned Stock, resulting in 80% stock reduction, stock value reduced to £240,000. Therefore £960,000 of stock value of which ~10% results in scrappage/loses, a saving of **£96,000**. Roads - **£1,800,000** (stock movement unknown) – assuming no vendor owned stock. Assuming 50% moves to Outsource Model and remaining 30% moves to Consigned Stock, resulting in 80% stock reduction, stock value reduced to £360,000. Therefore £1.440,000 of stock value of which ~10% results in scrappage/losese, a saving of **£144,000**. Waste & Ground Maintenance = **£113,000 – not including in savings!** Total savings = **£240,000**
Equipment	Heavy equipment and machinery, unknown (assume 5% of closing stock, £150,000). Assume 50% moves to Outsource Model, therefore a saving of **£75,000 in year 1**. Assuming maintenance is 10% per year, saving of **£7,500 annually.** Vehicles, unknown (assume 5% of closing stock, £150,000). Assume 50% moves to Outsource Model, therefore a saving of **£75,000 in year 1**. Assuming maintenance is 10% per year, saving of **£7,500 annually.** Total = **£300,000** Savings in year 1 = **£150,000** Savings annually = **£15,000**
Warehouse & Transportation Staff	Housing – (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, savings of **£540,000**. Roads - (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 **= £1,080,000**). Assuming 50% Outsourced, savings of **£540,000**. **Note:** Head count assumptions above are conservative.

Maintenance Staff	Housing – (3 locations, assuming 12 per location, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, and assuming 20% savings when outsourced, £540,000 X 20% a savings of **£108,000**. Roads - (3 locations, assuming 12 per location, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, and assuming 20% savings when outsourced, £540,000 X 20% a savings of **£108,000**. **Note:** HAT head count figure is 1443, assumption above are conservative.
Total Savings	**£2,001,000 less £550,000 = £1,451,000 in year 1** **£2,001,000 less £150,000 = £1,851,000 following years** **Note: Potential of further savings in reducing # of warehouses.**

Option B *Outsource Operating Model replacing Stores, Servitor and eConsole with Oracle Inventory*	1-year Costs
Software (Subscription)	Assume same as baseline Hardware & Software cost £67,713 (i.e. Net Zero)
Implementation	~£500,000 **Disclaimer:** The implementation figures are for illustration purposes and are not intended to for a form of quotation or a financial commercials commitment.
Training	~£50,000

	Disclaimer: The training figures are for illustration purposes and are not intended to for a form of quotation or a financial commercials commitment.
Total costs	**£550,000 in year 1**
	1-year Benefits
IT Staff	Subsumed into current Finance and SCM SMEs Savings of £50k X 6 = **£300,000**
Warehouse	Warehouse Capital Costs for Building and land (not realised in this proposal)
Closing Stock	Housing - **£1,200,000** (stock movement of ~ £5,000,000) – no vendor owned stock. Assuming 50% moves to Outsource Model, resulting in 50% stock reduction, stock value reduced to £600,000. Therefore £600,000 of stock value of which ~10% results in scrappage/loses, a saving of **£60,000**. Roads - **£1,800,000** (stock movement unknown) – assuming no vendor owned stock. Assuming 50% moves to Outsource Model, resulting in 50% stock reduction, stock value reduced to £900,000. Therefore £900,000 of stock value of which ~10% results in scrappage/loses, a saving of **£90,000**. Waste & Ground Maintenance = **£113,000 – not including in savings!** Total savings = **£150,000**
Equipment	Heavy equipment and machinery, unknown (assume 5% of closing stock, £150,000). Assume 50% moves to Outsource Model, therefore a saving of **£75,000 in year 1**. Assuming maintenance is 10% per year, saving of **£7,500 annually.** Vehicles, unknown (assume 5% of closing stock, £150,000). Assume 50% moves to Outsource Model, therefore a saving of **£75,000 in year 1**. Assuming maintenance is 10% per year, saving of **£7,500 annually.** Total = **£300,000** Savings in year 1 = **£150,000**

	Savings annually = **£15,000**
Warehouse & Transportation Staff	Housing – (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, savings of **£540,000**. Roads - (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 **= £1,080,000**). Assuming 50% Outsourced, savings of **£540,000**. **Note:** Head count assumptions above are conservative.
Maintenance Staff	Housing – (3 locations, 12 per location, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, and assuming 20% savings when outsourced, £540,000 X 20% a savings of **£108,000**. Roads - (3 locations, 12 per location, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, and assuming 20% savings when outsourced, £540,000 X 20% a savings of **£108,000**. **Note:** HAT head count figure is 1443, assumption above are conservative.
Total Savings	**£1,911,000 less £550,000 = £1,361,000 in year 1** **£1,911,000 less £150,000 = £1,781,000 following years** **Note: Potential of further savings in reducing # of warehouses.**

Option C *Outsource Operating Model keeping Stores,* Servitor and eConsole	1-year Costs

Software (Subscription)	Assume same as baseline Hardware & Software cost £67,713 (i.e. Net Zero)
IT Staff	½ Sys Admin, ½ DBA and 4-5 Application Support £50k X 6 = **£300,000**
Total costs	**£300,000 annually**
	1-year Benefits
IT Staff	No Savings.
Warehouse	Warehouse Capital Costs for Building and land (not realised in this proposal)
Closing Stock	Housing - **£1,200,000** (stock movement of ~ £5,000,000) – no vendor owned stock. Assuming 50% moves to Outsource Model, resulting in 50% stock reduction, stock value reduced to £600,000. Therefore £600,000 of stock value of which ~10% results in scrappage/loses, a saving of **£60,000**. Roads - **£1,800,000** (stock movement unknown) – assuming no vendor owned stock. Assuming 50% moves to Outsource Model, resulting in 50% stock reduction, stock value reduced to £900,000. Therefore £900,000 of stock value of which ~10% results in scrappage/loses, a saving of **£90,000**. Waste & Ground Maintenance = **£113,000 – not including in savings!** Total savings = **£150,000**
Equipment	Heavy equipment and machinery, unknown (assume 5% of closing stock, £150,000). Assume 50% moves to Outsource Model, therefore a saving of **£75,000 in year 1**. Assuming maintenance is 10% per year, saving of **£7,500 annually.** Vehicles, unknown (assume 5% of closing stock, £150,000). Assume 50% moves to Outsource Model, therefore a saving of **£75,000 in year 1**. Assuming maintenance is 10% per year, saving of **£7,500 annually.** Total = **£300,000**

	Savings in year 1 = **£150,000** Savings annually = **£15,000**
Warehouse & Transportation Staff	Housing – (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, savings of **£540,000**. Roads - (3 warehouses, 6 warehouse staff and 6 drivers per warehouse, 36 staff @ £30,000 **= £1,080,000**). Assuming 50% Outsourced, savings of **£540,000**. **Note:** Head count assumptions above are conservative.
Maintenance Staff	Housing – (3 locations, 12 per location, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, and assuming 20% savings when outsourced, £540,000 X 20% a savings of **£108,000**. Roads - (3 locations, 12 per location, 36 staff @ £30,000 = **£1,080,000**). Assuming 50% Outsourced, and assuming 20% savings when outsourced, £540,000 X 20% a savings of **£108,000**. **Note:** HAT head count figure is 1443, assumption above are conservative.
Total Savings	**£1,611,000 less £300,000 = £1,311,000 in year 1** **£1,611,000 less (£300,000 + £150,000) = £1,161,000 following years** **Note: Potential of further savings in reducing # of warehouses.**

Benefits Summary	
Option	Summary
Option A	**£1,451,000 in year 1** **£1,851,000 following years**

Option B	**£1,361,000 in year 1** **£1,781,000 following years**
Option C	**£1,311,000 in year 1** **£1,161,000 following years**
Option A	• **Scalable** • **Timely Single version of the truth** • **Consigned Stock** • **Best Practice Standard Solution** • **Scale up without increase of support staff cost** • **Subsume support cost into Finance & SCM SMEs** • **Continuous optimal operations**
Option B	• **Scalable** • **Timely Single version of the truth** • **Best Practice Standard Solution** • **Scale up without increase of support staff cost** • **Subsume support cost into Finance & SCM SMEs** • **Continuous optimal operations**
Drawbacks Summary	
Option C	• **Not-scalable** • **Un-timely version of the truth** • **Additional separate support staff cost** • **Non-standard Solution** • **Scale up with potential increase support staff cost** • **Potential for deviation from optimal operations**
Risk Summary	
Option	Description of Risk
Option A & B	Complexity to Deliver. Complexity in Business Transformation.
Option C	Complexity in Business Transformation.

REFERENCES

AMENDMENT HISTORY

Version No.	Date	Amendment History	Remarks
00-001	01/09/2022	Initial Draft	