

DECISION-MAKER:	CABINET		
SUBJECT:	THE SUSTAINABLE DISTRIBUTION CENTRE		
DATE OF DECISION:	19 MARCH 2013		
REPORT OF:	CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
Not Applicable

BRIEF SUMMARY

The report seeks agreement to initiate a procurement process to set up a Sustainable Distribution Centre (SDC) for the benefit of organisations in and around Southampton including Southampton City Council (SCC) itself. An SDC is the next generation of consolidation centre offering services to intercept HGVs servicing city centre locations, it then consolidate the loads which results in a reduce number of HGVs entering the City's road network. In some cases this has resulted in 75% less HGV traffic entering the City. The SDC will also provide short term and long term storage warehousing to its customers. There are many efficiency and environmental benefits to the SDC but at present market forces mean that it may not run commercially until a critical mass of users is established.

This report seeks authority to procure an SDC on behalf of the wider Southampton City Region and includes a mechanism to subsidise the first few years of operation, using funding already secured as part of the Local Sustainable Transport Fund (LSTF) bid in order to kick start the process and generate that critical mass.

RECOMMENDATIONS:

- (i) To delegate authority to the Head of Planning, Transport and Sustainability to take any action required to procure and implement a service provider for the SDC from the LSTF revenue budget.
- (ii) To delegate authority to the Head of Planning, Transport and Sustainability, following consultation with the Head of Finance and IT as well as the Head of Legal, HR and Democratic Services to proceed to financial and contractual close.
- (iii) To delegate authority to the Head of Legal, HR and Democratic Services to enter into all necessary legal contracts and documentation to action the above decisions.

REASONS FOR REPORT RECOMMENDATIONS

1. In 2007, it was estimated that by 2026 Southampton road networks would see a 40% growth in traffic levels, due to growth in population and economy. In addition, parts of the City have poor air quality and have been designated Air Quality Management Areas (AQMAs). One of the ways to help resolve this problem is to make the management of freight within the City more efficient. An SDC will do this by consolidating loads on the outskirts of the City so that fewer vehicles travel into the City centre. The benefits include less vehicles servicing the City centre (in Bristol once such centre has reduced traffic by close to 75%), and corresponding reductions in congestion and air pollution. There is also potential for achieving efficiencies to the logistics supply chain which may benefit companies or organisations using the City centre.
2. The SDC requires a critical mass of activity before it can be commercially viable. This was revealed by a study commissioned by the Council to determine the best business case and delivery model. Following extensive consultation with potential users the study also identified that a level of pump priming subsidy would be required to make it work and that the critical mass could be achieved early on if the City Council or other large organisations use its services. Funding to deliver this project, including the subsidy, has been secured through the Local Sustainable Transport Fund (LSFT) grant.
3. This report seeks approval to undertake a procurement process to establish the SDC. The procurement will not expose the Council to any financial or other risks because the fixed term nature of the subsidy will be explicitly stated in the tendering process.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. Do nothing – Failure to deliver the project would result in LSTF funding being handed back to the Department for Transport (DfT) or at best reallocated to other LSTF projects.
5. Council set up and run its own SDC – This option was rejected because it is more cost effective to pump prime the private sector to deliver this scheme. Case studies where local authorities have delivered the centre have shown significant disadvantages, including ongoing financial support.

DETAIL (Including consultation carried out)

6. The DfT LSTF was established to support the ambitions carried in the Government White Paper *Creating Growth, Reducing Carbon* published in January 2011. The principal purposes of the fund are to introduce measures that encourage economic growth, while simultaneously reducing carbon emissions from transport. The White Paper acknowledges that the measures and initiatives used to derive these economic and environmental benefits will also produce significant social benefits. The SDC was one of the proposed methods of SCC LSTF bid.
7. The idea of developing the SDC for Southampton has been tested in a study by Mott MacDonald and Travel and Transport Research Limited (MMTTR). They were commissioned to complete a viability study to assess whether the SDC would be viable with the model of freight consolidation and storage we were proposing, in the time frame we were proposing and with the level of

funding we were budgeting for. MMTTR, who have considerable experience in setting up consolidation centres up and down the country, concluded after their research that the SDC is viable as long as a few public bodies/large organisations use its services.

8. The study involved a series of workshops attended by many business representatives. In addition, discussions have taken place with the University of Southampton (UoS), Southampton Solent University (SSU) and Southampton University Hospital Trust (SUHT). The conclusion of the study was that there is considerable opportunity for the public, academic and health sector to utilise the SDC and establish a critical mass of demand.
9. Through discussions with Facilities Management at SCC, UoS, SSU and SUHT, it became apparent that the public sector has a business and operational need that the SDC could meet. The need however, was not only in terms of delivery consolidation but in terms of short and long term storage. SCC along with both universities has considerable storage requirements. However, in a number of cases this storage need is not being managed in the most efficient or cost effective way. It is likely that the SDC can provide storage for the Council at a reduced rate per square foot, potentially resulting in direct savings and enabling management to strategically review how office space is used. SSU have subsequently employed a local warehouse to manage their storage needs as a temporary measure whilst they wait for the development of the SDC. They anticipate up to 75% reduction of deliveries if the SDC is fully utilised by them. The UoS currently has an EngD researcher fellow and is recruiting MSC post graduates to assess their requirements for the SDC. UoS have offered some of the EngD researchers time to help SCC assess its requirements and help the Council manage its deliveries and storage in the most efficient and effective way.
10. Currently the tendering documents are being drafted and checked by the relevant sections of the Council and some external advisors too. The procurement process itself is expected to be completed by the end of Summer 2013 in order to comply with OJEU stipulations. The SDC is expected to be operational in the Autumn of 2013. The funding would run for two years from the date the SDC officially begins. SCC will begin promoting the SDC services to its partners and to organisations in and around Southampton for the period that the funding lasts.

RESOURCE IMPLICATIONS

Capital/Revenue

11. There are no capital implications arising from this report at present. If additional funds through other future bids were secured then there may be scope for more environmentally friendly modes of transport (electric vehicles or natural gas vehicles etc).
12. The revenue costs to this project will be paid to the successful bidder for a period of two years and are taken from the LSTF revenue budget and are budgeted at £225,000 in total for the two year period.

Property/Other

13. There are no property implications arising from this report except where there is a business case for the Council to utilise the SDC. In this case it could help free up space in its properties currently being used for storage, to be converted into offices, meeting rooms or for strategic assessment of its use.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

14. Section 1 of the Localism Act 2011 permits the Council to do anything any other person or body could do subject to any pre or post commencement limitations (none of which apply in this case).

Other Legal Implications:

15. The contracting and/or grant mechanisms put in place will be structured to comply with public procurement legislation, equalities legislation and any relevant requirements in relation to State Aid. A State Aid Assessment has been commissioned for the SDC project and a review undertaken to identify mitigating actions against any potential risks. By undertaking a full EU procurement process and ensuring market value is paid for goods and services, there are no State Aid implications likely. However, this will need to continue to be monitored throughout the development of the project.

POLICY FRAMEWORK IMPLICATIONS

16. The SDC will directly support the objectives of the City of Southampton Strategy, specifically:
 - Objective 3: *A dynamic business environment* - through increasing employment, supporting business growth and Gross Value Added (GVA); and
 - Objective 4: *An attractive, sustainable and stimulating environment* - through managing the transport challenges and opportunities including congestion, CO2 reduction and air quality
17. The SDC project aims as part of the LSTF project are consistent with the Council Plan 2011-14 and the Local Enterprise Partnership - helping to create jobs in the area and strengthening the economy through more efficient optimisation of the transport network.
18. The SDC aims as part of the LSTF projects are consistent with the Local Transport Plan 3 (LTP3), including contributions to the 14 objectives of the joint Strategy for Transport for South Hampshire (these are set out on page 8 of the LSTF bid which is available upon request) and the Council's Low Carbon Strategy in reducing congestion, reducing CO2 and supporting the road and rail freight community to be more energy and resource efficient.
19. The LTP3 implementation plan includes a desire to implement all the measures proposed subject to funding. Now that the funding bids have been successful, the strategy agreed and inherent in it is significantly more likely to be achievable

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All Wards, particularly Bargate, Bevois and Portswood
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SUPPORTING DOCUMENTATION

Appendices

1.	None
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Documents In Members' Rooms

1.	Southampton Sustainable Distribution Centre Viability Study – by Mott MacDonald and Travel & Transport Research Ltd.
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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