

Investment Committee Paper

Regional Service Hub - Midlands

Synthetic portfolio case study | Prepared for decision practice | August 2026

Decision requested

Approve Stage 1 of a Midlands service-hub investment, capped at GBP 420,000, subject to three release conditions: signed demand covering at least 45% of Year 1 technician capacity; a final property and fit-out cost within 8% of the base case; and confirmation that the operating model can reach 70% utilisation within nine months. Do not approve the full GBP 1.35 million programme today.

Executive recommendation

The recommended route is a gated regional hub rather than either a national rollout or continued reliance on long-distance field deployment. The base case indicates a positive five-year NPV of GBP 610,000 and a 2.8-year payback, but those outputs depend heavily on utilisation and travel-cost assumptions. A staged commitment preserves the option to scale while buying the evidence needed to test the weakest assumptions.

The decision is therefore not "build or do nothing". It is whether to purchase a controlled body of evidence at an acceptable cost. Stage 1 would secure a short-list property, recruit the hub lead, validate customer demand and complete a 12-week operating pilot before the remaining capital is released.

Business context

The company currently serves Midlands customers from two distant operating centres. The arrangement protects fixed-cost efficiency, but it increases travel time, technician fatigue and response variability. Customer interviews suggest that faster response is valuable, although the evidence does not yet establish willingness to pay a premium. The current network also limits the number of planned-maintenance visits that can be completed in a day.

Management has considered three routes:

- Continue the current model and improve scheduling.
- Create one gated Midlands service hub.
- Commit immediately to a three-hub national rollout.

The current model has the lowest short-term cash requirement but does not address distance-based capacity loss. A national rollout could create scale quickly, yet it commits capital before the Midlands economics are proven. The gated single-hub route offers the strongest balance of learning, operational impact and downside control.

Option appraisal

Option A - Optimise the existing network

This route would add scheduling controls, route clustering and remote diagnostics without acquiring a new site. It requires approximately GBP 130,000 and could reduce avoidable travel by an illustrative 8-12%. Its principal advantage is reversibility. Its weakness is that it cannot remove the structural distance between technicians and customers, so response-time improvement is likely to plateau.

Option B - Gated Midlands hub (recommended)

The hub would begin with eight technicians, one planner and one service lead. It would operate within a 90-minute customer radius and take responsibility for planned maintenance, priority response and parts staging. The full investment is estimated at GBP 1.35 million, but only GBP 420,000 would be authorised before the demand and pilot gates are passed.

The base case assumes Year 1 utilisation of 68%, rising to 79% by Year 3. Travel and accommodation savings contribute approximately one-third of value; additional service capacity and contract retention contribute the remainder. This is the only option that directly tests whether proximity improves both cost and customer outcomes.

Option C - Three-hub rollout

The rollout could create a national response proposition and reduce later duplication in property selection, recruitment and systems integration. It also raises execution risk substantially. The illustrative capital requirement is GBP 3.8 million before local demand is confirmed, and management attention would be spread across three simultaneous launches. This option should remain a future scaling route, not today's commitment.

Financial case

The base case uses contribution cash flows rather than revenue alone. It includes technician payroll, property, fleet, local inventory, travel avoidance, incremental service capacity and a terminal working-capital release. All values are illustrative and pre-tax.

- Initial programme investment: GBP 1.35 million.
- Five-year cumulative operating cash contribution: GBP 2.28 million.
- Five-year NPV at a 10% discount rate: GBP 610,000.
- Payback: 2.8 years.
- Break-even steady-state utilisation: 61%.
- Downside NPV at 55% utilisation and 12% fit-out overrun: negative GBP 240,000.

The model is most sensitive to technician utilisation, followed by incremental contract retention and property cost. Travel savings alone do not justify the investment. This matters because it changes the implementation priority: demand validation and scheduling discipline are more important than negotiating small fit-out savings.

Sensitivity and decision gates

The following gates convert uncertain assumptions into observable evidence:

- Demand gate: signed customer schedules or contract extensions covering at least 45% of Year 1 capacity.
- Cost gate: final property, fleet and fit-out quotations no more than 8% above base case.

- Operating gate: four-week pilot demonstrates at least 3.4 productive jobs per technician day and 92% on-time arrival.
- People gate: hub lead and six of eight initial technician positions accepted before lease completion.
- Control gate: finance validates the benefits baseline, including travel cost, overtime, response time and repeat visits.

Failure of any gate returns the proposal to the Investment Committee with an explicit revise, defer or stop recommendation.

Principal risks and controls

Demand does not convert into scheduled work

Customers may value faster response but still resist longer contracts or price changes. The control is to require signed schedules, not expressions of interest, before the main capital release.

Capacity is created faster than it is filled

Low utilisation would turn a service improvement into a fixed-cost burden. Recruitment should therefore be phased in two cohorts, with the second cohort triggered only after the first eight weeks of utilisation evidence.

Reported savings are not incremental

Travel reductions could be offset by duplicated supervision, inventory and facilities. Finance should maintain one benefits register with named owners, baseline definitions and monthly reconciliation to the ledger.

Local inventory increases working capital

Parts availability may improve response but create slow-moving stock. The pilot should begin with an ABC inventory policy and a 90-day review of usage, stockouts and write-off exposure.

Operating complexity increases

Another location introduces hand-offs between central dispatch, local planning and account management. A single case-ownership rule and documented escalation path should be tested during the pilot.

Implementation plan

Weeks 1-4: validate and contract

- Confirm customer demand and capacity schedule.
- Complete property, fleet and technology quotations.
- Appoint the hub lead and benefits owner.
- Freeze the pre-investment performance baseline.

Weeks 5-8: configure and rehearse

- Configure dispatch zones, job ownership and escalation rules.
- Recruit the first technician cohort.
- Establish minimum viable parts stock and replenishment controls.
- Run tabletop and shadow-scheduling tests.

Weeks 9-12: controlled pilot

- Serve a defined set of customers without transferring the full region.
- Measure productive jobs, travel hours, repeat visits and response times.
- Review weekly economics against the investment model.
- Prepare the final release recommendation.

Success measures

The hub should be judged against a balanced scorecard rather than one cost measure:

- Customer: priority response within four hours; on-time arrival above 92%.
- Operations: at least 3.4 productive jobs per technician day; repeat visit rate below 7%.
- Finance: benefits reconciled monthly; utilisation at or above 70% by month nine.
- People: overtime below the current regional baseline; safety and training compliance at 100%.
- Working capital: parts stock turns above four times annually; obsolete stock below 1.5%.

Final recommendation

Approve the GBP 420,000 Stage 1 envelope and require the three principal gates before the remaining programme capital is released. This route makes the investment decision evidence-led, limits irreversible exposure and creates a reusable launch model if the company later chooses to expand nationally.

Limitations

This paper is a synthetic writing sample. All organisations, figures, assumptions and options are illustrative. A live investment paper would require validated customer commitments, supplier quotations, tax treatment, lease advice, workforce consultation, safety review and independent finance assurance.