

MINUTES OF A MEETING OF THE CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE HELD IN THE COMMITTEE ROOMS 2/3, BRIDGEND COUNTY BOROUGH COUNCIL, CIVIC OFFICES, BRIDGEND ON THURSDAY, 28 JUNE 2012 AT 10.55AM.

Present:-

Representing Bridgend County Borough Council

Councillor M Gregory
Councillor M Reeves

Representing Merthyr Tydfil County Borough Council

Councillor D Jones

Representing Rhondda Cynon Taff County Borough Council

Councillor C J Middle
Councillor C J Willis

Officers:

J Ferris – Procurement Manager	Bridgend County Borough Council
P Hughes - Manager, Joint Supplies Service	- Bridgend County Borough Council
F Mantle – Principal Accountant	- Bridgend County Borough Council
E Lucas – Head of Procurement	- Caerphilly County Borough Council
S Phillips – Procurement	- Merthyr Tydfil County Borough Council
C Lewis - Procurement	- Merthyr Tydfil County Borough Council
V Hanly – Service Director Procurement	- Rhondda Cynon Taff County Borough Council
A Rees – Senior Democratic Services Officer – Committees	- Bridgend County Borough Council

1 ELECTION OF CHAIRPERSON

RESOLVED: That Councillor C J Willis be elected Chairperson of the Catalogue Supplies Service Joint Committee for the Municipal Year.

(Councillor C J Willis in the chair)

2 WELCOME

The Chairperson in welcoming everyone to the meeting announced that as this was the first meeting of the Joint Committee since the Local Government Elections suggested that it would be opportune for Members and Officers to introduce themselves.

3 ELECTION OF VICE-CHAIRPERSON

RESOLVED: That Councillor M Reeves be elected Vice-Chairperson of the Catalogue Supplies Service Joint Committee for the Municipal Year.

4 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members for the reasons so stated:-

Councillor D T Hardacre - Other Council business
Councillor K V Reynolds - Other Council business
Councillor P Williams - Other Council business

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the Catalogue Supplies Service Joint Committee meeting of the 16 April 2012, be approved as a true and accurate record.

7 STATEMENT OF ACCOUNTS - 2011/2012

The Treasurer presented the unaudited statement of accounts for the financial year ended 31 March 2012. The audited Statement of Accounts required approval by the 30 September 2012 in accord with the Accounts and Audit Regulations. The format and content of the Statement is governed by those Regulations and of 2011/2012 the accounts have been produced in line with a new Code of Practice on Local Authority Accounting in the United Kingdom which is in line with International Financial Reporting Standards.

The Principal Accountant explained that the accounts would now be placed on public deposit and be subject to audit by KPMG, the auditors appointed for the Joint Committee by the Wales Audit Office and once audited would be subject to approval by the Joint Committee by the 30 September 2012. The accounts showed a net surplus of £157k with details of the surplus being reported in the Comprehensive Income and Expenditure statement and which included an adjustment in respect of holiday entitlements as required by accounting practice. The accumulated useable reserves for the Catalogue Supplies Service are £668k at the 31 March 2012. The financial position as at 31 March 2012 (excluding holiday accruals) showed an underspend on service expenditure within the year of £150k.

The Joint Committee received a summary of the final financial position for the Service as compared to the budget set at the start of the financial year. The main reasons for the significant variances in 2011/12 were highlighted.

The Joint Supplies Service (JSS) Manager highlighted the arrangements for credit sales with payment terms of 30 days offered to customers with greater levels of activity experienced at year end.

RESOLVED: That:-

- (1) The Joint Committee noted the un-audited Statement of Accounts for 2011/12.

- (2) A Committee date be arranged for September 2012 to approve the audited accounts.

8 PERFORMANCE AND BUSINESS REVIEW UPDATE

The Joint Supplies Service (JSS) Manager presented a report which provided the Joint Committee with an update on progress with the implementation of the Business Review approved by the Joint Committee in February 2012 and on an appraisal of the Service trading and operational performance during April / May 2013.

The JSS Manager provided the Joint Committee with the background to the service which was established in 1996 following Local Government Re-organisation as a collaborative providing a purchasing and supply facility for the 4 partner local authorities for common and repetitive spend commodities, securing savings to its corporate customers and schools through economies of scale and contributing to the financial prudence of the Authority. The outcome of the Welsh Government Value Wales National Procurement Service review would have an impact on the Joint Supplies Service and its operation was being reviewed to ensure it was a fit for purpose collaboration which had the support of the 4 authorities. There was an expectation for the service to break even, with a future expectation to deliver a profit. The implementation of the Service change had been incorporated into a Development Action Plan, which had been reviewed, modified and updated since the last meeting of the Joint Committee. The Action Plan provides for 12 core areas of development and change, of which 7 elements were in progress.

The JSS Manager reported that the formal consultation process with staff had commenced in April which involved several meetings taking place with employees of the service. The final structure had been confirmed, with 9 posts directly affected by the re-organisation, with the number of posts to be reduced by three, two of which had potential redundancy implications. Voluntary redundancy applications had been received from 2 individuals and a report on the outcome of the financial implications would be reported to the next meeting of the Joint Committee. New job descriptions and personal specifications had been completed with formal consultation anticipated to be completed in June, with the implementation of the new structure to commence in July 2012 and becoming operational on 1 August 2012. The JSS Manager informed the Committee that the posts in the new structure had been desk top scored in the context of job evaluation, with a full assessment and scoring of the jobs being undertaken in 6 months. The JSS Manager confirmed that consultation had been undertaken on the structure with the trade unions.

The JSS Manager also reported that the review identified potential operational efficiency opportunities from within the warehouse and distribution function as a consequence of the introduction of revised working methodologies and practices. A transport consultancy had been engaged at a cost of £7,800 to undertake a detailed analysis of the distribution process and to produce modelling options for the future. Officers were now considering in depth the following 3 recommended options for report to the next meeting of the Joint Committee:

- Extend the use of vehicle monitoring equipment to enhance performance management
- Purchase and utilise vehicle routing software

- Consider outsourcing of distribution service

The JSS Manager informed the Joint Committee that the service's cost per delivery was £5.90 which compared to the industry standard of £7.50 per delivery. The Head of Procurement, Caerphilly County Borough Council commented on the need to review the options for future transport arrangements in the context of the National Procurement Service review.

The preliminary review of the existing storage and in-stores operational practice had commenced in accordance with the action Plan.

The JSS Manager also reported that the review identified the need to explore the integration of business systems used by the service and Bridgend CBC as the host authority. Initial investigations with the system provider, Advanced Business Solutions (COA) suggested the system functionality was similar to the current back-office system used by the JSS and that further assessment was warranted. However, following a series of meetings and consultation between the company and officers, it had become apparent there are fundamental negative issues of aligning systems, with the absence of the core functionality requirements of the JSS as a supplies service, which would necessitate the development of system modifications, with the associated costs, and risks to both the initial investment and subsequent maintenance. The company did not have the replacement software solution which would provide the functionality performance of the software currently used by the JSS. It was the opinion of officers that the proposed solution to the software deficiencies appeared to be both complicated and required a high level of maintenance, producing an operational and financial risk to the JSS. The timescales for the potential availability and implementation of the modified/developed product are such that they were unlikely to be available for business use until April-June 2013, which would delay the introduction of IT-related operational efficiencies and the investment pay-back period was considered to be an unacceptable way forward. Officers had concluded that the integration of the JSS operation to the corporate IT system should not proceed and that the enhancements and upgrade of the existing JSS back-office system (Syspro) should be implemented subject to consideration of the relevant business case.

The Joint Committee requested an update to its next meeting on the planned upgrade of the Syspro system to include a matrix of costs.

The JSS Manager also reported that the marketing strategy was being further developed reflecting the discussions of the Officer Group, incorporating the requirements of the "Way Forward" conclusions of the Business Review report. A customer survey had been undertaken to support and inform the development of the strategy. It was likely that the future strategy would be significantly impacted by the Value Wales National Procurement Service (NPS) review of common and repetitive spend which was the subject of consultation. The Service Director Procurement, RCT Council informed the Joint Committee that he and the Head of Procurement, Caerphilly CBC sit on a Sub Group on the review of the NPS and it was unlikely that it would be established until 2013. Formal consultation on the review would be undertaken with all local authorities in October / November 2012. It was not known how long the Welsh Government would fund the service. Expressions of interest would be sought to be the host authority for the National Procurement Service. The review could have an impact upon local suppliers being used by local authorities thereby impacting on the local economy. The Head of Procurement, Caerphilly CBC informed the Joint Committee that she

would provide a briefing for the Joint Committee on the progress made with the Value Wales National Procurement Service and its impact on the future role of the Welsh Purchasing Consortium and suggested that the Joint Committee provide a response on the consultation.

The JSS Manager reported on the need for the Joint Agreement between the four authorities to be reviewed and updated, the changes would be made by way of a Deed of Variation which was being reviewed by the Legal Department of Bridgend CBC. The progress/outcome of the review would be reported to the September meeting of the Joint Committee and which would also require the approval of each authority.

The JSS Manager also reported the review of the stock range was proceeding in line with the principles and recommendations of the Business Review report, with the anticipated changes to the catalogue stores range being introduced in the 2013/14 catalogue.

The JSS Manager reported on service turnover for April – May as measured against the sales target, together with a comparison for the same period last year. Growth above target of 6.6% had been experienced in the first two months. He stated that June and July were traditionally the most demanding primarily from the schools sector with approximately 25% of total annual catalogue stores turnover being realised during the period. He highlighted a comparison of turnover and by customer area for the period.

The Joint Supplies Service Manager summarised the revenue budget expenditure / income for the financial year to 31 May 2012. A staff restructure was currently being undertaken which would have financial implications for the employee budget in the present financial year and for successive years, the outcome would be reported to the next meeting of the Joint Committee. Target Sales turnover for 2012/13 of £6.27m was finalised after the preparation of the provisional budget in February 2012, which had estimated turnover would produce a budgeted gross profit of £1.17m in trading income. Projected trading income outturn of £1.253m was estimated, with net income estimated at £1.388m at 31 May 2012. The net income budget of £1.315m had been approved as part of the provisional operational budget during the Service Business Review.

The Joint Supplies Service Manager provided the Joint Committee with an update on the service performance indicators in relation to product availability, stockholding value, debt management and creditor payments to 31 May 2012. He stated that the stockholding value was higher due to the anticipated spend by schools for the new term commencing in September.

The Joint Supplies Service Manager reported on a summary of sickness absence for the current year to 31 May 2012. The absence level included two long term absences totalling 49 days, with overall absence of 55 days, compared to 30.5 days for the same period last year. One of the officers had a continuing absence which was being monitored by the Authority's Occupational Health Service. The cost of sickness absence, at actual salaries had been assessed at £4,132 to meet service performance demands. Following a request the previous meeting of the Joint Committee, the JSS Manager reported that an analysis of the practice followed during the period of each long term absence had been reviewed and it was recognised that enhancement to some elements of absence management should be introduced, which may not impact upon the duration of the absences but would better inform the process of absence management. Increased liaison

with the Authority's HR service was being developed. The average days absence per person for the JSS during 2011/12 was 0.7 days above the BCBC average for the year.

The Joint Supplies Service Manager also reported that a strategic objective of the Joint Service as part of the e-supply programme was the increase and enhancement of electronic transacting with customers, to include e-ordering, e-sales invoicing / payment and e-communications to provide current and easily accessible information and enhanced marketing opportunity. He stated that the key components in the development were the interactive web-site, the national public sector xchangewales portal and enhancement or replacement of the service back-office IT system. He summarised an analysis of sales orders which showed the xchangewales portal being the primary e-trading medium to the JSS at this time, providing an increasing volume of electronic purchase transactions from the 4 authorities as well as other xchangewales users from primarily the South Wales area. He also summarised an analysis of customer usage of the xchangewales portal by the four authorities and other Welsh authorities and an analysis of usage of the JSS web-site which had increased steadily since the last meeting of the Joint Committee. He stated that the majority of customer ordering transactions continued to reflect the non-electronic practices of fax, postal and telephone, though this had reduced considerably from 67.6% to 57.4% of transactions during 2012. A planned service enhancement of an integrated web access facility for schools later this year (pending completion of the IT system review) was expected to significantly increase schools e-ordering usage of the web site. The Chairperson commented that it was incumbent on Members in their role as school governors to publicise the availability of e-ordering and alter the mindset of staff ordering on behalf of schools.

The Joint Supplies Service Manager also reported on an analysis of purchase cards by each authority, this method of payment currently accounted for 1.5% of overall collected payments for 2011/12. The Service Director Procurement informed the Joint Committee that RCT Council rolled out purchase cards to schools as part its change programme. The Head of Procurement Caerphilly Council commented that the introduction of purchase cards was not a priority for Caerphilly Council and consequently spend by this means would not be high.

The JSS Manager reported that the programme of meetings for 2012/13 was approved at the previous meeting of the Joint Committee with the next meeting scheduled to take place on 27 September. It was planned to complete work on some of the tasks within the Development Action Plan in the next few weeks and it was proposed to schedule an additional to take place in July.

RESOLVED:

- (1) That the report of the JSS Manager be noted.
- (2) That advice be sought from the Legal Departments of each authority on the process for approving the updated Joint Agreement prior to a report being brought to the meeting of the Joint Committee in September.
- (3) That the next meeting of the Joint Committee take place on 17 July 2012 held provisionally at Caerphilly County Borough Council to consider the final staffing structure.