

MINUTES OF A MEETING OF THE CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE HELD IN THE SIRHOWY ROOM, CAERPHILLY COUNTY BOROUGH COUNCIL OFFICES, TY PENALLTA, TREDOMEN PARK, YSTRAD MYNACH HENGOED ON THURSDAY, 27 SEPTEMBER 2012 AT 10.45AM.

Present:-

Councillor C J Willis – Chairperson

Representing Bridgend County Borough Council

Councillor M Gregory
Councillor M Reeves

Representing Caerphilly County Borough Council

Councillor D T Hardacre

Representing Merthyr Tydfil County Borough Council

Councillor P Williams

Officers:

| | | |
|--------------------------------------------|---|-------------------------------------------|
| P Hughes - Manager, Joint Supplies Service | - | Bridgend County Borough Council |
| F Mantle - Principal Accountant | - | Bridgend County Borough Council |
| J Ferris – Corporate Procurement Manager | - | Bridgend County Borough Council |
| I Evans - Procurement Officer | - | Caerphilly County Borough Council |
| S Phillips - Business Development Manager | - | Merthyr Tydfil County Borough Council |
| V Hanly - Service Director Procurement | - | Rhondda Cynon Taff County Borough Council |
| GP Jones – Head of Democratic Services | - | Bridgend County Borough Council |

18 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members/Officers: -

Cllr D Jones
Cllr K V Reynolds
Cllr C J Middle
N Young
E Lucas

19 DECLARATIONS OF INTEREST

None.

20 MINUTES OF THE PREVIOUS MEETING

Members expressed their views regarding the timings of meetings and the difficulties that arose from attending future meetings if they were regularly held at fixed times. It was agreed that future meetings of the Joint Committee be held on Thursdays rotating between 10.30am and 2.00pm start times.

Efforts would be made to arrange a visit for the Joint Committee members to the Catalogue Supplies Service site before the end of the year.

RESOLVED: That the minutes of the Catalogue Supplies Service Joint Committee meeting of the 17 July 2012, be approved as a true and accurate record.

21 STATEMENT OF ACCOUNTS 2011/2012

The Principal Accountant presented the Statement of Accounts for the financial year ending 31 March 2012 which were due to be signed off by the external Auditors (KPMG) and to receive the Auditors report to those charged with Governance. She explained that the Accounts and Audit Regulations required that the Joint Committee approved the audited statement of accounts by 30 September 2012. KPMG had carried out their audit of the 2011/12 Statement of Accounts and had made some presentational changes but no financial amendments. Therefore they had confirmed that the surplus for the year remains at £157,000, with total reserves of £672,000 which included an accumulated surplus of £510,000 as at 31 March 2012. The revised Statement of Accounts was shown at Appendix 1 of the report.

Members were made aware of an uncorrected misstatement in respect of credit notes issued in 2012/13 that were considered immaterial to the overall surplus for the year.

The Joint Committee were advised that they were required to provide their representations to the auditors in respect of the governance of the accounts as shown at Appendix 2 of the report.

RESOLVED: That the Joint Committee:

- (1) Approves the audited statement of accounts for 2011/2012
- (2) Note and agree the letters of representation to be provided to KPMG and the Wales Audit Office
- (3) Note the auditors' Audit of Financial Statements report for 2011/12

22 COUNTY BOROUGH SUPPLIES

The Corporate Procurement Manager from Bridgend County Borough Council presented a report which provided information regarding the development of the National Procurement Service (NPS) and the likely impact of the business opportunities for the Joint Supplies Service (JSS).

Members were reminded of the initiative to establishment of a National Procurement Service in Wales by November 2013 to provide a central contracting facility for all product and service areas common to public sector bodies in Wales. A number of the products falling within the remit of the NPS overlap with those currently provided by the JSS. This provided a significant long term threat to the JSS as the use of the NPS is likely to be mandated by the Welsh Government and may impact on existing supply arrangements. However there may be a possibility that the NPS will set up a number of contracts which will require a distribution

facility. This may then provide an opportunity for the JSS if administered on a regional basis.

The Joint Committee was advised that the Procurement Board had endorsed the recommendation that the NPS used an independent central model with its own governance structure responsible to the NPS Board. Each Sector will have representation on the Board but the exact details are yet to be determined.

Work was on-going by the Board to determine the host organisation, identify the achievement of quick wins and work to support the preferred operating model. The Board had also requested that Welsh Government consider the provision of financial support to pump prime the organisation for years zero and one with subsequent years being funded by contributions from each sector. Alternative proposals which may include 3 years initial funding by Welsh Government followed by funding provided by retrospective product rebate were also being considered. These proposals were subject to ministerial approval.

The Joint Committee was advised that the NPS offered significant Risks/Benefits to the JSS. If the NPS prices were better, then JSS clients were likely to move to them.

RESOLVED: That the Committee notes the content of the report.

23 SERVICE TRADING AND OPERATIONAL PERFORMANCE AND PROGRESS REGARDING THE IMPLEMENTATION OF THE APPROVED BUSINESS REVIEW REPORTS.

The Joint Supplies Service Manager presented a report which apprised members of the service trading and performance during the year to date and to update them in respect of the progress being made with the implementation of the Business Review report.

Service Turnover

The Joint Supplies Service Manager advised members that the five month period had been positive with sales above target. Figures to the end of August indicated figures 3% above target with September anticipated to continue to this trend with 1.5-2% above target. The target for full year turnover were projected and updated to show that 48% of the total would be remaining by November. There had been growth in all customer areas which had offset the small drop in activity with Neath Port Talbot where the schools had been targeted by local and other suppliers. The JSS Manager was comfortable with the progress towards achieving the targets for this year.

Financial Position

The JSS Manager provided the current financial figure for 2012/13. He advised that currently there was a surplus of £97k with the projected end of year surplus being £55k, at this early assessment date, with a predicted a £22k variation to budget. One of the reasons for this variation was reduced catalogue production-related income due to the decision by Cardiff Council Supplies to not participate in next years catalogue production together with reduced catalogue-supplier contribution. Other reasons for the variance included £3k underspend on transport due to operational efficiencies, £8k over-spend in respect of the external review and report of JSS distribution service.

Service Performance Indicators

The JSS Manager was comfortable with the current service performance indicators which were almost all performing better than target.

Absence Monitoring

The JSS Manager explained that the absence level includes three long-term absences totalling 111 days within the overall absence of 160 days and which compared to 78 days for the same period last year. Two of the officers had left the Service, with a third continuing absence which is being monitored in conjunction with the Authority's Occupational Health Service. For the information of Members the assessed overall cost of sickness absence above, at actual salaries, is £14,775.

Electronic Transactions

Periodic reports have been presented to the Joint Committee appraising Members of the progress of the e-supply objective. A summary of the current position for the April-August period was provided together with details of the last reported period in June 2012 for comparison. The variation to the previously reported period is as a consequence of the high incidence of schools' transactions traditionally received during the summer period months, reflecting the continuing schools' usage of non-electronic purchase ordering practice.

Year End Holiday Period

The JSS office closure during the Christmas/New Year period, practiced successfully over the last five years, will include the period December 27th/28th with the closure being accommodated by way of staff annual leave and flexible working arrangements.

Joint Trading Partner

The JSS Manager advised the Committee of the operation of an, informal, trading partner arrangement with the Cardiff Supplies Service. This arrangement provided aggregation of product purchase volumes for contracting purposes, sharing trading contract management responsibilities, catalogue-content management roles and also sharing operational bulk volume purchase transactions. Cardiff has, and continues, to review its future operational supply requirements. Since the last Joint Committee meeting Cardiff has advised the JSS of its intentions not to participate in the 2013/14 catalogue production arrangements and it is understood a decision on the future direction of the supplies operation is to be undertaken later in the year. The withdrawal of Cardiff from the joint catalogue arrangements will have immediate implications for the JSS, with the loss of non-trading income in the current and future years (estimated £20k) and a potential longer-term impact of additional contract management responsibilities, additional catalogue-product lead functions, reduced contract purchase volumes/possible contract price increases and potential increased stockholding and volumes/value.

Market Competition

The JSS Manager provided the Joint Committee with an update regarding the current market competition elements that may impact on the future of the JSS. The update included reference to the expansion of the Wiltshire based Consortium, which is now part of the Smiths News group which appears to be diversifying into the educational supplies market with the acquisition of West Mercia Supplies. Sales and promotional activity of that group would be monitored

as the JSS continues its sales and marketing initiative in accordance with the Marketing and Sales Strategy. The Eastern Shires Purchasing Organisation (ESPO) supplies local authorities and schools in Wales and is currently enhancing its sales operations in the area. A local supplier (SET) has recently recruited the former JSS Marketing Manager with the apparent intention to extend into the educational supplies market.

In response to these factors it was proposed that the further planned investment beyond that committed to Phase 1 Modernisation Programme (IT) be deferred until the outcome of the Cardiff Supplies Service is decided. It was anticipated that a full review would be provided at the next meeting of the Joint Committee.

Development Action Plan – Implementation Progress

The JSS Manager outline the progress of the Development Action Plan. He advised that the new Service structure had been implemented and was anticipated to be completed by 30 Sep 12. The appointment of 2 new Business Managers had been undertaken with the re-organisation and alignment of responsibilities and service units planned to be completed by mid Oct 12. The planned reduction of 3 posts was proceeding with one voluntary redundancy being completed by 31 July 12 and another anticipated to be completed by 31 Oct 12. The third post was a vacant post that had been deleted.

- **Modernisation Programme – IT System**
As previously reported, priority had been given to the IT change elements. A work programme for the 2 phases of the IT systems was attached at Appendix 2 to the report. The testing of the system upgrade is in progress with the finalisation of all enhancements anticipated during October 12
- **Operation Processes Review – Transport**
As previously reported the distribution costs of the JSS were competitive in comparison with the private sector standard price tariffs with a 19% advantage over standard costs. The review advised that service and financial benefits could be achieved by considering extending the use of vehicle monitoring equipment to enhance service performance; invest in vehicle routing software or to consider the outsourcing of the distribution service. Saving of between £19k-£31k annually could be achieved therefore potential benefits from modest investment with extending the use of monitoring equipment have been made as an interim measure with further monitoring and review after a period of 3 months.
- **Operation Processes Review – Warehouse and Storage**
A review of warehouse operation and storage had now been undertaken. Improvements had been identified which would reduce the travel time for operatives within the warehouse, enhancing supervisory practice and the reduction or elimination of errors. Use of PDA and other electronic devices have been planned within Phase 2 of the development programme, with the introduction of changes to in-house working practices to enhance supervisory structures.

Marketing Strategy

The JSS Manager advised that the Marketing Strategy to support the Business Plan to 2014/15 has been successful in the retention of existing levels of business

and developing supply arrangements to other designated customer groups with part attainment of growth targets. The strategy had also contributed to the increase in the financial reserves of the Joint Committee, with balances increasing from £519k in March 2010 to £672k at 31 March 2012. The strategy plan had now been developed to incorporate the outcome of the JSS Business Review

Constitution – Joint Agreement

The JSS Manager advised that in accordance with the Business Review report the existing Joint Agreement between the four authorities needed to be reviewed and updated. Advice had been received from Legal Officers of BCBC which indicated the necessary changes could be incorporated by way of a Deed of Variation. Having considered the content further they are now of the opinion the changes are such that it would be more appropriate to prepare a new Joint Agreement document rather than a Deed of Variation and officers are proceeding accordingly. The outcome of the review will require consideration by the Joint Committee and also the approval of each authority within the processes of each Council. The final report will be scheduled for presentation to the next planned meeting of the Joint Committee in January 2013 or to an additional meeting if considered appropriate.

Catalogue Product Range Review

The preliminary review of the catalogue-stores product range had been on-going since the end of 2011/12 with the enhanced assessment and deletion of obsolete and low turnover products sales lines as determined by previous JSS guidelines. The JSS Manager explained that the Business Review report proposed consideration of future changes to the catalogue-product range, as part of the modernisation programme. This would be measured against financial criteria of specified low turnover value and/or with the objective of reducing inventory value. The initial assessment has identified a potential income loss between £50k-£70k per annum could arise in the 'worst case' situation and therefore further work on the alternative supply arrangements for the implicated ranges was required. Additionally, market changes within the supply environment of the JSS are developing and the potential impact upon the Service is not known. The JSS Manager indicated that the impact on trading income streams with changes to the catalogue-range changes would represent an increased risk both in terms of financial viability and customer retention in 2013/14. The review of the product range, will continue over the next few months and any opportunity to remove catalogue-product lines without risk to income will be introduced. A progress assessment of the on-going review will be presented to the next scheduled meeting to incorporate the longer-term perspective for the catalogue period to March 2015.

JSS Business Plan

The JSS Manager advise the Joint Committee that the Business Review report was constructed on the basis of a three-year business period to March 2015, which reflected the current Joint Agreement, which will require review and authorities decision on the future joint arrangements beyond that date by March 2014. This is also relevant to the anticipated remaining occupancy duration of the existing premises. The report noted the modernising of the Service, the changing supplies environment in which the JSS competes and the potential implications and uncertainty arising from the National Procurement Service initiative, issues which have been discussed previously in this report. An additional, recent, factor to be considered in the business planning for the JSS is the future supply service direction of the JSS trading partner, Cardiff Council. These factors have influenced JSS Officers to developing a Business Plan which is considered

realistic and cautionary rather than highly aspirational, with a clear objective of increasing the financial solvency and reserves of the joint arrangements, avoiding new investment of a significant value (or commitment beyond March 2015), and to provide a firm foundation for future opportunities to expand and enhance the Service. This approach should minimise risk to the Joint Committee and authorities

RESOLVED: The Joint Committee approved to temporarily defer further planned investment beyond that which is already committed in respect of the Phase-1 Modernisation Programme (IT), until the outcome of the future of the Cardiff Supplies Service is decided.

24 EXCLUSION OF THE PUBLIC

RESOLVED: That under Section 100A(4) of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation)(Wales) Order 2007 that the public be excluded from the meeting during consideration of the following item as the report contained exempt information as defined by Paragraph 12 of Part 4 of Schedule 12A of the Act.

Following the application of the public interest test it was resolved that pursuant to the Act referred to above to consider the confidential report of the Joint Supplies Service Manager in private with the public excluded from the meeting as it was considered that in the circumstances the public interest in maintaining this exemption outweighed the public interest in disclosing the information because of the prejudice disclosure would cause to the individuals concerned by virtue of Paragraph 12 of Part 4 of Schedule 12A of the Act.

Minute No. Summary of Item:

25 Approval of exempted minutes 17 July 12