

MINUTES OF A MEETING OF THE CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE HELD IN THE LEVEL 3 CONFERENCE ROOM, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 14 JULY 2011 AT 10.45AM.

Present:-

Representing Bridgend County Borough Council

Councillor R D L Burns

Representing Caerphilly County Borough Council

Councillor C Hobbs
Councillor C P Mann

Representing Merthyr Tydfil County Borough Council

Councillor D D Games

Representing Rhondda Cynon Taff County Borough Council

Councillor C J Willis

Officers:-

D MacGregor - Assistant Chief Executive - Performance Bridgend County Borough Council

P Hughes - Manager, Joint Supplies	- Bridgend County Borough Council
J Ferris	- Bridgend County Borough Council
F Mantle	- Bridgend County Borough Council
I Evans	- Caerphilly County Borough Council
S Wiggins	- Merthyr Tydfil County Borough Council
V Hanly	- Rhondda Cynon Taff County Borough Council
A Rees	- Bridgend County Borough Council

158 ELECTION OF CHAIRPERSON

RESOLVED: That Councillor R D L Burns be elected Chairperson of the Catalogue Supplies Service Joint Committee for the forthcoming year.

(Councillor R D L Burns Chairperson)

159 ELECTION OF VICE-CHAIRPERSON

RESOLVED: That Councillor D D Games be elected Vice-Chairperson of the Catalogue Supplies Service Joint Committee for the forthcoming year.

160 MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the Catalogue Supplies Service Joint Committee meeting held on 16 March 2011 be approved as a true and accurate record.

161 BUSINESS PLAN PROCESS

In response to a question from the Committee, the Joint Supplies Service Manager informed the Joint Committee that officers would be meeting to progress the Business Plan later this month.

162 SLOW MOVING PRODUCTS

In response to a question from the Committee the Joint Supplies Service Manager stated that some incentives on slow moving products had been given to customers, although buy one get one free offers had not yet been introduced.

163 INTRODUCTION

The Assistant Chief Executive - Performance introduced himself to the Joint Committee as its new Treasurer and as Section 151 Officer for Bridgend County Borough Council.

Members of the Joint Committee then introduced themselves to the Treasurer.

164 APOLOGIES FOR ABSENCE

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

Councillor J Amos	- Other Council business
Councillor H J David	- Other Council business
Councillor M Webber	- Other Council business
P Davies - Merthyr Tydfil County Borough Council	- Leave

The Joint Committee requested that a letter be sent to Elizabeth Lucas wishing her a speedy recovery from a recent accident.

165 DECLARATIONS OF INTEREST

None.

Members queried whether they should declare an interest in items as Members representing their Authority as they were required to make declarations on other bodies they had been appointed on which they represent their Council. The Treasurer undertook to confirm this position with the Monitoring Officer.

166 COUNTY BOROUGH SUPPLIES

The Treasurer presented a report which provided the Joint Committee with comprehensive background information in relation to the current trading position that was intended to assist the committee with its consideration of the future viability of the Joint Supplies Service. He explained that he was aware that concerns had been raised by the Joint Committee over its trading position and the marketing of the service over the previous twelve months and had discussed this issue with the Chairperson and Cabinet Member Resources after taking up his new role.

He reminded Members of the review of the service undertaken by APSE in 2008, with the main conclusion being that the Service could not continue to return an annual surplus in its then form and a number of options were proposed. Two of the options proposed had been taken forward, namely the modernisation of the

Service and the pursuit of sales growth in the Neath Port Talbot and Swansea areas. The modernisation programme had also focussed on the development of the Service Website, linked with the e-trading platform within Xchange Wales and the ability to accept purchasing card payment from end users. In addition, a marketing campaign had been undertaken to increase the level of business opportunity in the target areas of Neath Port Talbot and Swansea. A Service Business Plan had been agreed and progress was reported to the Joint Committee on a quarterly basis.

The Treasurer informed the Joint Committee that he had reviewed the papers submitted to it over the last 12 months and did not feel it was being presented with the management information it needed. The Joint Committee had been alerted to a sudden downturn in turnover and income which took effect from June 2010. Revised growth targets were set in October 2010, reducing the levels previously set which were combined with planned cutbacks in operating expenditure and the second phase of the modernisation programme was deferred. The Joint Committee was informed of a better trading position at its meeting in March 2011, albeit showing a 10% deficit compared with the original target for 2010/11 of £6.25m.

The Treasurer's report summarised the final outturn for 2010/11 which showed an overspend on service expenditure within the year of £3k, which included the modernisation costs of £39k required to be shown in the Income and Expenditure Account, but which had been funded from earmarked reserves. Were it not for this one off item the trading results for the year would have shown a £36k surplus. He highlighted the reasons for the significant variances from the Budget.

He explained that an appraisal of the customer base and product base income recovery had been undertaken to help assess the continued financial viability of the business. He outlined a table which showed the spend by the key customers for 2008/9, 2009/10 and 2010/11 financial years and the changing turnover patterns during that period. He stated that over the three financial years the spend of the four authorities making up the Joint Committee had remained fairly static but there had been some growth from sales in Cardiff and in the Vale. Turnover growth had been lower than anticipated. Whilst growth in % terms in the Neath Port Talbot and Swansea areas was significant, the value of sales had been lower than anticipated resulting in overall turnover declining in real terms taking into account inflationary pressures.

He explained the importance of the Joint Committee having good quality management information on the trading position and then outlined a year on year comparison which had been undertaken of product categories, reviewing the income recovery and growth or decline year on year, in order to give a better understanding of the financial performance. The products with the largest sales values were art and craft, books and paper, and janitorial supplies; whilst school and office furniture was reducing. In light of the Welsh Government announcement regarding the future funding of the Schools Modernisation Programme, careful consideration needed to be given to this sales range. The product categories which showed potential for growth need to be the focus of business development, whilst further consideration needed to be given to the longer term viability of other product ranges which had shown decline. The Joint Supplies Service cost advantage had diminished in recent years, however a benchmarking exercise had shown it still offered a price advantage over its key 'one stop shop' competitors and he summarised the findings of the comparison.

The Joint Committee acknowledged the importance of having an understanding of the figures presented and indicated that they were anxious to receive proposals

from officers for taking the service forward. Concerns had previously been expressed on the levels of slow moving products and products not moving at all and the need to put in place incentives for customers. The Joint Committee was mindful of the financial pressures facing each local authority and the implications for the service of offering incentives.

The key findings from the recent business process reviews conducted by the officers were outlined which found areas where the efficiency of the service could be improved. The recommendations of the Officers were as follows:-

1. Maximise the use of the web ordering system and integrate these order processes with back office systems to support the business. Develop the integration with Schools Information Management Systems to the Joint Supplies web.
2. Explore the options for the management of small and urgent orders to minimise the disruption to Joint Supplies of these orders and lower the costs of these processes.
3. Explore options for increasing the delivery windows to meet customers' requirements.
4. Utilise Marketing Strategies to include for maximisation of electronic ordering and use of purchase cards for transactions and to generally sustain or grow the levels of turnover.
5. Maximise the use of e-ordering and purchasing systems for the business for its own stock and ad hoc purchasing and payment of invoices.
6. Rationalise the variety of similar products stocked through discussion with customers and officers.
7. Member local authorities consider punch out systems from their own Xchange Wales systems so that Joint Supplies will no longer need to maintain catalogues on its web and within the Xchange Wales system. This would also include minimising invoice transactional costs by means of e-invoicing, consolidation of invoicing or use of purchase cards.
8. Develop Key Performance Indicators to monitor the progress to electronic processing and delivery of the action plan for ongoing reporting to Joint Committee.

The Treasurer referred to the national agenda for procurement in Wales that was looking at service improvements for procurement across the Welsh Public Sector. One of the key recommendations is the creation of a national procurement service with a harmonised and centralised approach to the procurement of commodity areas that are common across the Welsh public sector. This was a potential opportunity for the business but it also presented a threat as there could be further pressure placed on the current trading position with a renewed emphasis on establishing direct supply collaborative framework contracts for common and repetitive spend and the marketing through the Xchange Wales hub. The Head of Procurement believed that this could potentially present a business opportunity, however the current infrastructure could not cope with delivering a service to a much wider customer base.

The Joint Committee had been provided with an options appraisal but did not discuss this. Concerns were expressed at the lack of progress with the development of the modernisation proposals that had previously been requested..

The Joint Committee requested that the Officer Group present interim proposals to Members of the Joint Committee and circulate these by e-mail by the end of August in order that these could be carefully considered in advance of the next meeting.

RESOLVED: That the Committee unanimously required the Officer Group to submit a comprehensive report bringing together a modernisation programme, Welsh Government national strategies and current analysis of joint supplies business activities. The report to provide options for the way forward to be discussed at the next meeting on the 28 September 2011.

167 ROLE OF OFFICER GROUP - JOINT SUPPLIES SERVICE

The Group Manager Procurement Bridgend County Borough Council referred to the previous meeting of the Joint Committee of the 16 March 2011 wherein Officers were requested to review the current constitution, and formulate an initial Officer Working Group to support the strategic direction of the Catalogue Supplies Service. He stated that the joint service currently operated under the governance of the Joint Supplies Agreement signed by the four partner authorities in 1997 which was currently under review by the legal teams of each partner authority.

He reported on the remit of the Officer Working Group which would comprise the Joint Supplies Service Manager, an Officer Representative from each partner authority, supported by the Secretary of the Joint Committee. The Officer Group would need to meet on a regular basis and develop a clear work plan with agreed timescales. The composition of the Office Group and roles and responsibilities were outlined.

RESOLVED: That:-

- (1) the report be noted.
- (2) each Authority provides a named Officer to attend Officer Meetings on a regular basis. (Nomination from each Authority is attached as Appendix B);
- (3) the Officer Group meet once a month at County Borough Supplies;
- (4) the Officers will undertake the roles and responsibilities detailed within the report;
- (5) Officers appoint a Chairperson to report back to the Joint Committee during Joint Committee Meetings;
- (6) Officers report back on any Joint Arrangement changes, which may result due to the current legal review and that in this process, the Officer Group liaise with the nominated Finance Officer.

168 SERVICE PERFORMANCE 2010/11 AND 2011/12

The Joint Supplies Service Manager presented an appraisal of the service trading and operational performance for the last financial year and the current year to date.

He reported that the improvement to the turnover was maintained during the final months of the 2010/11 financial year. Actual turnover was £5,661,000 compared to the revised target of £5,630,000. He summarised the trading turnover by each authority. He also summarised the turnover during the period April to June 2011 of £1,420,000 compared to a target of £1,285,000. The Joint Supplies Service Manager reported on the Service Performance Indicators for the period April - June 2011 in respect of the following areas:-

- Product Availability
- Stockholding Value
- Sales Turnover
- Debt Management
- Creditor Payments

The Performance Indicators gave details of targets and the actual achieved in respect of each category.

The Joint Supplies Service Manager also reported on a summary of the sickness level within the Service for the last financial year and the current year to the 31 May. He advised that the overall level of sickness absence had continued to improve with the average number of days sickness per person in 2010/11 being 8.4 compared to 16.7 in 2009/10. The average number of days per person from April to May 2011 was 0.8 days.

The Joint Supplies Service Manager provided an update in respect of the County Borough Supplies web site which is aligned to the printed catalogue, with increased customer utilisation being a key part of the Joint Supplies Service marketing strategy, complementing the other e-commerce supply platform of the Xchange Wales e-trading portal in common use amongst the partner authorities and wider Welsh public sector.

He stated that the targeted customer groups for the Joint Supplies Service are the education sector, generally together with the independent customer sector with a combined annual turnover of 60% of total. The programme of rolling out the web site access to schools was undertaken in September 2010, activating web accounts for all schools customers. The second phase of the implementation process, which is the independent educational customer group had also been completed with a continuing review of customer participation being programmed. He outlined the web usage/customer analysis for the period September 2010 to June 2011 which had produced a web sales turnover of £173,772 (4.2% of the total sales turnover) and web order transactions of 1266 (3.8% of transactions). Sales turnover had increased from £32,347 (19%) in September to December 2010 to £97,254 (56%) in April to June 2011.

He stated that customers would maintain their preferred or integral ordering system such as the School Information Management system (SIMS), for their purchasing process requirements, the web site could be used to support customer ordering, providing access to undertake product selection via the web with an

order transaction being electronically transferred between the customer and the JSS. He stated the scoping of an application to facilitate this practice (Catalogue 'punch-out') had now been completed with implementation included within the Modernisation Programme review.

He also reported on a review of service stockholding, a range of 2,750 products, covering a broad catalogue content was available to the existing 1,800 customers of the Joint Supplies Service. To provide for the variable customer ordering cycle throughout the year, stockholding levels were adjusted to anticipated demand, with twin objectives of maintaining a minimum product availability level of 96% average annually together with a stockholding-value equivalent of eight weeks average demand. The volume and value of stock retained at any time is further impacted by other operational factors typically, manufacturers delivery lead time, contractual supply terms and pre-contract price increase purchasing. During the last financial year the product availability service level was attained of 96.65%, with the average stock held value being above the performance target at 8.8 equivalent weeks usage value. He summarised a comparison of the stock holding as at the 31 March and 30 June 2011. The projected level of residual stock post six month average usage to the 31 December 2011 is £48,000, reflecting a combination of slow moving lines and products discontinued from the current catalogue which will be subject to disposal activity during the year.

The Joint Supplies Service Manager reported that the next meeting of the Joint Committee scheduled for the 20 October 2011, however the final statement of accounts for 2010/11 would need to be considered by the Joint Committee by the 30 September 2011 and it was proposed to bring forward the meeting to the last week of September with a provisional date of 28 September 2011.

RESOLVED: That:-

- (1) The report of the Joint Supplies Service Manager on service performance be noted.
- (2) That a list of all clients be listed in future service performance reports.

169 BUDGET MONITORING 2010/2011

The Joint Supplies Manager reported on a summary of budget expenditure/income for the first two months of the financial year. He stated there was no variation to projected expenditure and income for the service at this period review.

He reported that the Business Plan included provision for expenditure to support the service modernisation programme together with the replacement of operational equipment and transport, being financed from the accumulated reserve of the Joint Committee. He stated that the investment programme had been temporarily deferred pending the outcome of the Service Review. He reported that the replacement of fork-lift trucks is an increasing priority for the Service and short term contingency plans had been prepared pending the outcome of the Review. The planned purchase of the fork-lift trucks in 2010/11 (deferred) is £14,000 and 2011/12 is £14,000 and the provision for the scheduled purchase of vehicles in 2010/13 is £48,000.

RESOLVED: (1) That the report be noted;

- (2) That a review of the constitution be undertaken in light of the modernisation agenda.

170 STATEMENT OF ACCOUNTS - 2010/2011

The Treasurer presented the un-audited statement of accounts for the financial year ended 31 March 2011, the audited Statement of Accounts require approval by the 30 September 2011 in accord with the Accounts and Audit Regulations. The format and content of the Statement is governed by those Regulations and of 2010/2011 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 2011. The accounts showed a net deficit £3k, after incurring the approved modernisation costs of £39k. Were it not for this one off item the trading results for the year would have shown a £36k surplus. The accumulated useable reserves for the Catalogue Supplies Service are £516k at the 31 March 2011. The Joint Committee received a summary of the final financial position for the Service as compared to the budget set up at the start of the financial year. The main reasons for the deficit in 2010/11 were highlighted.

RESOLVED: That:-

- (1) The Joint Committee noted the un-audited Statement of Accounts for 2010/11.
- (2) A Committee date be arranged for the 28 September 2011 to approve the audited accounts.

The meeting closed at 12.53pm.