

County Borough Supplies Joint Committee

Joint Supplies Service



Bridgend
Caerphilly
Merthyr Tydfil
Rhondda Cynon Taf

County Borough Councils

26 June 2008

Report of JSS Manager

Item 1

Joint Supplies Service Review Project

1.1 Background

At the last meeting of the Joint Committee, the commissioning of an external review of the joint arrangements as part of the process of assessing an appropriate way forward was agreed together with the delegation to officers with authority to proceed.

The review is in response to the recognised changing supplies environment in which the joint arrangement is operating, with the expectation of further changes in the future which may impact upon the function.

At the same time, a known and projected reduction to the income base of the organisation, commencing during 2008/09, has necessitated a reassessment and subsequent increase to the income requirement of the joint service which is derived from trading sources.

1.2 Review Objective

The review will consider and assess the joint supplies arrangements as relative to the existing and future service strategies of the four participating authorities, service user requirements, the existing and expected future supplies market generally, models of other joint collaborative or other similar arrangements and produce a range of options for consideration as to the way forward.

1.3 Progress – Current Position

Following consideration of the project submissions by invited parties, the work was commissioned with the Association of Public Service Excellence (APSE), with the project commencing last month.

The review is encompassing a broad range of information collection and consultation which will, and has already, included the designated stakeholders within the four authorities, educational and other customers, the joint service trading-partners and other bodies contributing to the supplies market within South Wales.

1.4 Timescale

The outline programme for the project is scheduled for completion and report availability during August, with assessment and consideration by the officer Project Board during September culminating in a report to the next scheduled meeting of the Joint Committee in October.

The Terms of Reference of the review are attached for information (Appendix 1).

Committee is asked to note the report.

Item 2

Service Programme 2008/09

- 2.1 Attached for the information of Members (Appendix 2), is the planned service programme for the Joint Arrangements for the current financial year.
- 2.2 The programme reflects existing commitments, enhancing current service provision and customer expectation, with the priority for the organisation being significantly influenced by the change to the income base of the organisation.
- 2.3 As a summary, the targets and direction for the organisation during the present year are detailed below,
- Increase the use of the Service and subsequent trading income
 - Complete the development and availability of the e-catalogue project
 - Supplement the existing back-office IT system, where appropriate, complete the customer service database project and enhance the organisation communications infrastructure
 - Continue the enhanced marketing and sales strategy with existing and new customers
 - Maintain the staff development and training programme to support the overall service improvement target

- 2.4 The Service Review project being undertaken presently will have a temporary impact upon some of the planned work in the short-term in regard any significant financial considerations.

Committee is asked to note the report.

Item 3

Joint Supplies Service Turnover – 2007/2008 and 2008/2009

1. For the information of Members, detailed below is a summary of the turnover of the service for 2007/08 together with the current year to date.

2. Total Catalogue Sales

Category	April – Mar 2007/2008	April – Mar 2006/2007	% variation
Stores	£3,413,000	£3,399,000	0.4
Non-Stores	£2,006,000	£1,852,000	8.3
TOTAL	£5,419,000	£5,251,000	3.2

3. Catalogue Sales - April to May (2008/2009 and 2007/2008)

Category	April – May 2008/2009	April – Mar 2007/2008	% variation
Stores	£584,000	£594,000	-1.7
Non-Stores	£315,000	£246,000	28.0
TOTAL	£899,000	£840,000	7.0

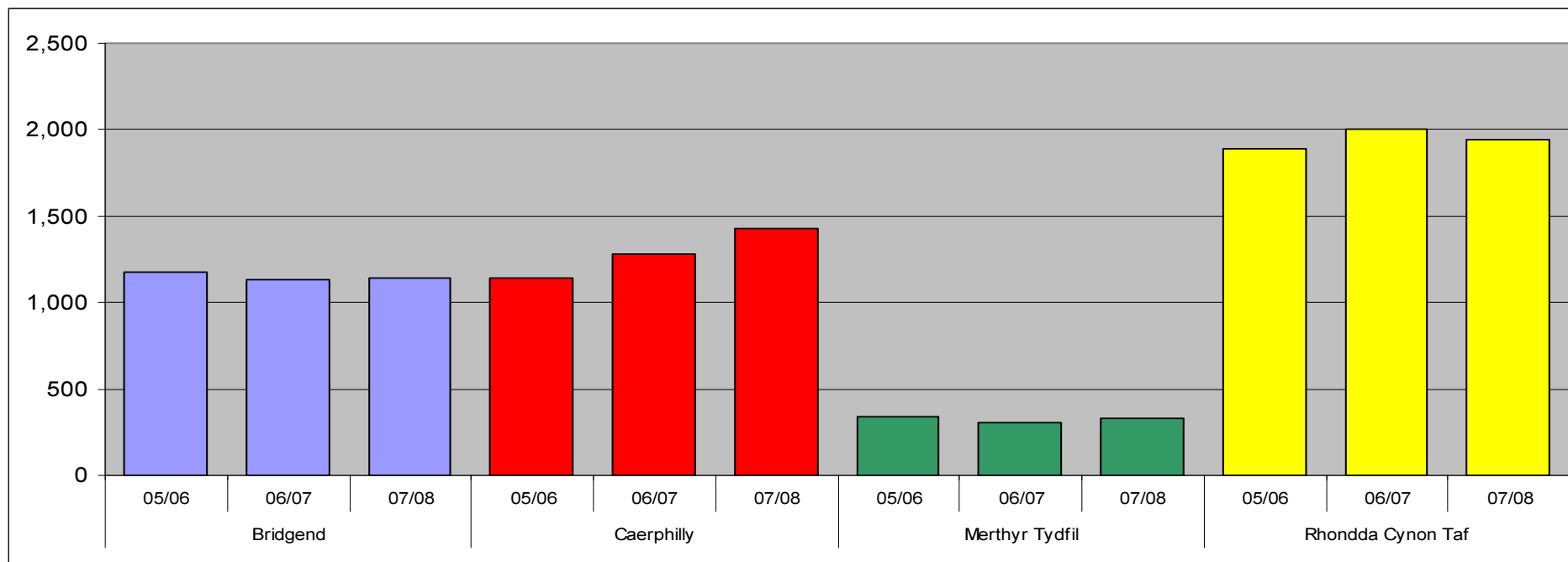
4. Turnover by Authority

(a) April – May 2008/09

Service	Authority (£'000)				
	Bridgend	Caerphilly	Merthyr Tydfil	Rhondda Cynon Taf	Total
Education	90	94	55	179	418
Other Services	121	99	16	160	396
Other Authorities / Organisations					84
Total	211	193	71	339	814
(%) Authorities	25.97	23.67	8.71	41.66	

(b) Summary for final turnover for 2007/08 and previous year information is provided overleaf.

Service	Bridgend			Caerphilly			Merthyr Tydfil			Rhondda Cynon Taf			Total		
	05/06	06/07	07/08	05/06	06/07	07/08	05/06	06/07	07/08	05/06	06/07	07/08	05/06	06/07	07/08
Education															
Nursery	7	4	6	0	0	0	4	6	7	6	7	7	17	17	20
Primary	326	317	361	330	438	451	146	138	164	496	542	517	1,298	1,435	1,493
Comprehensive	212	198	175	226	247	226	76	71	82	352	330	361	866	846	844
Other	46	36	33	42	45	39	10	13	3	84	78	83	182	172	158
Sub-Total	591	555	575	598	730	716	236	228	256	938	957	968	2,363	2,470	2,515
Social/Personal Services	198	213	197	224	155	180	57	52	57	350	427	387	829	847	821
Direct Services	127	137	119	131	150	153	0	0	22	104	130	97	362	417	391
Other Services	262	228	252	188	243	378	44	25	0	499	488	488	993	984	1,118
Sub-Total	587	578	568	543	548	711	101	77	79	953	1,045	972	2,184	2,248	2,330
Total	1,178	1,133	1,143	1,141	1,278	1,427	337	305	335	1,891	2,002	1,940	4,547	4,718	4,845
Other Authorities / Organisations													399	533	574
Grand Total													4,946	5,251	5,419



Item 4**Finance – Budget Monitoring 2008/2009**

1. A summary of the budget expenditure / income, including projected year end charges, for the period April – May 08 is provided as follows.

Category	£'000's		
	2008/9 Estimate	Actual to 31 May 2008	2008/9 Full Year Projection
Employees	970	156	970
Supplies & Services	160	10	160
Transport	85	14	85
Accommodation	86	14	86
Finance/Support Services	39	6	39
Total Expenditure	1340	200	1340
Total Income	(1340)	(198)	(1340)
(Surplus)/Deficit	0	2	0

Item 5**Staffing – Sickness Absence 2008/2009**

1. As part of the regular monitoring reports presented to Committee, the sickness absence within the organisation for April / May 2008 is summarised below.

No. of Staff Absent	Total No. of Days Absence
12	113

2. During the period, the long term certificated absence of 3 staff members accounted for 67% of total absence, with the average number of days (per person) for other absence being 0.9.

Item 6

Service Performance Indicators

1. As part of the monitoring of the Joint Service, regular reports are presented to Committee in regard previously agreed core information.
2. The following summary of Performance Indicators for period April – May is provided below.

STORES DELIVERY

The measurement of the actual delivery period to customers against the 'per transaction' and service target for the year.

TARGET: 96% of order-delivery completion within three working days.

ACTUAL: 99.3%

STORES – PRODUCT AVAILABILITY (upon demand)

The measurement of the average stock demand availability to the 'first request' (of customer)

TARGET: 96% average over full year

ACTUAL: 98.8%

CREDITOR PAYMENTS

The measurement of the payment to suppliers within a standard period (National Standard Target).

TARGET: 97.5%

ACTUAL: 98.6%

DEBT MANAGEMENT

The measurement of owed debt to the Joint Service as an average during the year.

TARGET: Average of no greater than sum equivalent to 5.5 weeks credit income i.e. £707k over last three months

ACTUAL: £615k

Committee is asked to note the report.

Item 7**Disposal of Obsolete / Surplus Stock**

1. The range and inventory value of stock-held products within the joint service stores is monitored regularly to ensure both reasonable levels and the appropriate range is retained to meet customer requirements.
1. The annual stores turnover value is currently in excess of £3.4m reflecting a stock range of 2,900 product lines with the accumulated turnover over the past three years being £9.9m.
3. It is to be expected that customer demand for items will change in both the short and longer term, which together with other purchasing factors, will impact upon residual stock level. The Joint Service, as a consequence, undertakes initiatives to encourage the sale of non-moving items.
4. Ultimately, in circumstances where residual stocks exist and where there is relatively little opportunity to affect their sale, mindful of staff resource implications, it is beneficial to the organisation to arrange a non-sales income disposal.
5. The Joint Committee has previously included provision in the service accounts for stock obsolescence, being financed from accumulated surpluses, a sum of £13,000.
6. Currently, a range of stock items, considered to be surplus to requirements and no longer part of the catalogue range, with a value of £2,930, is available for disposal.
7. It is considered that the sale of the majority of the items will not be available and it is proposed to dispose of the products by way of a 'non-charge' distribution amongst the customers of the four managing authorities initially or other appropriate facility.
8. Any products, which it is considered, cannot be distributed in this way, due to age or condition for example, will need to be removed under the usual or controlled disposal methods.
9. A summary report, reflecting the outcome of this disposal exercise, will be presented to a future meeting for the information of Members.
10. It is recommended, therefore, that part of the finance committed in the accounts for the purpose of stock obsolescence be utilised to dispose of the existing surplus stock.

Committee is requested to authorise the action outlined above.

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JOINT SUPPLIES SERVICE**Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf Councils****SERVICE REVIEW PROJECT****PURPOSE:**

To examine and assess the feasibility of the continuation of the current Service model and financing structure of the Joint Supplies Service (JSS) arrangements, to include a review and assessment of the existing and anticipated public sector supplies market (as relevant to the JSS supply portfolio) and provide options available to the joint managing authorities for future supplies arrangements and funding.

BACKGROUND:

The Joint Supplies Service was established in 1996 as a core catalogue-product supplies organisation to provide for the requirements of the four participating and managing local authorities of Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf. The arrangements are utilised by the authorities' own Service providers, schools and other public sector bodies and organisations.

Constituted to recover as a self-financing function, the JSS has achieved consistent operational surpluses annually which have accrued to the Joint Management Committee. The Service provides purchase cost efficiencies to the users both in overall product prices and reduced costs of acquisition as a single, comprehensive, local supply source.

The Service operates as part of an 'informal' collaborative partnership with the respective Supplies organisations of Cardiff and Swansea Councils for the purpose of shared product contracting and joint catalogue production, producing mutually beneficial volume purchase arrangements and cost avoidance of staff resource.

The supplies environment in which the Joint Service operates has become increasingly populated in the recent period, with an acknowledgement of further such development of 'competing' supplies arrangements, including the public sector.

PROJECT OBJECTIVES

The objective of the project is to,

1. Consider and assess the practical implications, relevance and future potential for the existing joint service arrangements of maintaining the existing operational model and self-financing basis.
2. Review and assess the existing and future developing public sector supplies arrangements and supplies market opportunities within Wales, as relevant to the Joint Service portfolio.
3. Identify and assess alternative models of supply arrangements to achieve the service and financial expectations of the four managing authorities, to include or otherwise, the existing joint supplies arrangements.
4. In considering future supply service modelling, identify a funding structure which will provide a limited (or nil) financial risk to the existing joint-managing authorities.
5. Identify the feasibility of the extension of the existing joint supply arrangements to other areas of the Welsh public sector.

SCOPE OF PROJECT

The scope of the project is to include the Joint Supplies Service, the four managing authorities, the joint collaborative partners, relevant public sector organisations and representatives of the Service customer base.

DEFINED APPROACH

In order to assess and determine the merit of the existing joint arrangement model, the relative public sector supplies market in Wales generally and also identify and evaluate alternative options and produce recommendations, it is expected the review will encompass the following,

1. Establish an understanding and assessment of the existing function practice and underlying principles, service range, relative price competitiveness and broader financial implications, together with an assessment of the future service-delivery intentions as reflected in the three-year Service plan, requiring consultation with the Joint Service.
2. Identify and assess the existing and anticipated differing public sector supplies arrangements/agencies within Wales, consider and evaluate the current/future supplies market availability of alternative service provision in regard the Joint Service portfolio.
3. Consultation with the managing authorities, including Service customers, to obtain views and expectations.
4. Consultation with the joint collaborative (inter-authority trading) partners to obtain views and relevance to their respective Service.
5. Consultation with other public sector bodies in South Wales (Value Wales), to obtain views and considerations as to the development of the All-Wales Sourcing Plan and the Schools Support initiative.

6. Assess the relative impact of the Welsh Purchasing Consortium collaborative arrangement and future expansion plans.
7. Identify best practice of other local authority supply arrangements.
8. Identify, assess and recommend option models of alternative supplies arrangement structures.
9. Consider the impact of any alternative supply proposals upon all customer groups of the existing joint service.
10. Assess and quantify the overall financial implications of any proposed alternative arrangements, to encompass purchase supply terms comparison and identification of all costs of purchase acquisition.

PROJECT DELIVERABLES

To produce a report that has,

- Identified the current and anticipated supplies market within Wales, relative to the Joint Service portfolio,
- Assessed the future viability of the existing Joint Service arrangements,
- Recommend structure options available for alternative service provision arrangements,
- Assess and identify the financial implications relative to any recommended alternative supplies service arrangements models.

INTERFACES

The project will need to interface with the Joint Supplies Service, the four managing local authorities, the collaborative 'trading' partners, the Welsh Purchasing Consortium, Value Wales, other public sector organisations and Joint Service customers.

PROJECT MANAGEMENT AND COMMUNICATIONS STRUCTURE

Project Manager: Joint Supplies Service Manager

Project Board: Heads of Procurement of the Joint Managing Authorities

Project Owners: Joint Management Committee

PROJECT TIMESCALE

Commence April/May, 2008, completion within 3 months.

SERVICE PROGRAMME 2008/09**General**

The core 'business' element of the Joint Supplies Service (JSS), as a catalogue-content partner-supplier, will remain the prime service function over the next period, reflecting both the formal structure of the inter-authority Agreement together with the increased dependence upon this service area as the key income generator.

During 2007/08, 81% of product turnover was derived from the use and direct purchase from the catalogue.

The essential financial requirement for the JSS during 2008/09 will be the need to change the trading and non-trading income ratio, to increase the income derived from direct trading opportunities together with a strategy to achieve a standstill or reduction to operating costs (except committed growth).

The JSS has achieved a positioning within the expectations and requirements of the broad customer base, attaining a loyalty factor primarily reflecting service delivery enhancements, a recognition of the importance of the overall function as a provider of a required service-range beyond that of merely a supplies organisation together with a confidence and trust in the organisation as a partner-supplier.

In moving the JSS forward, the changed and changing supplies market, particularly in the last two/three years is acknowledged, though the underlying development of alternative multi-supply source arrangements presents an opportunity for the JSS to maintain and enhance its position as a local, single-source partner-supplier to its core customer base within the four authorities.

It is recognised that the JSS will need to continue with a programme of 'modernising' and investment.

Financial

The changed financial framework for the JSS, with the reduction during 2008/09 of the non-trading income base has been addressed in the budget for the year.

Responding to the change, on the basis of maintaining a self-financing operation, requires three core elements as underpinning the way forward during the year, as follows,

- Reduction in operational costs, with increased expenditure being contained to committed growth only.
- Growth in trading income from increased use of the Service and sales.
- Planned extension of the 2008/09 catalogue as a two-year edition, subject to review, with the emphasis upon the development and implementation of the web-catalogue.

Use of the Service/Sales Turnover

The prime objective for the JSS is to increase the use of the Service, sales turnover and derived income in order to maintain the self-financing requirement of the arrangements.

The increase of sales turnover by £700k, (13%), producing an increase in net income of £95k, is the target for the financial year.

The planned increase to the trading income base will be attained from additional expenditure from within the existing customer base together with the extension of structured service packages to adjacent local authority schools primarily and other Services as appropriate, with the additional

targeting of sales growth with independent bodies and organisations as provided by the Goods and Services Act.

Service Users

The customer base over the period will continue to be the existing core group of schools, direct service organisations, front-line and support services of the four authorities. The increased use of the JSS will be achieved from both building upon the current customer portfolio together with the selective service targeting of adjacent authorities and other public sector bodies.

The JSS is and will continue to provide a competitively-priced, comprehensive, product range required across authorities and schools, supplementing the core single-contact function with a service portfolio that includes project supply support to authority new build/refurbishment schemes, objective guidance and support to customers and an increasing prominence as a reference point and instruction on product sustainability and related principles of development and implementation within the education sector particularly.

JSS Staff

The JSS has consistently demonstrated a strong commitment to public sector purchasing and supply, enhancing service provision and facilitating benchmarked price competitiveness whilst offering customers the considerable advantage of single source supply.

As part of this strategy, the development and training of the Service staff has been a very important factor and continues into 2008/09, with 56% of the current team having acquired a recognised academic or vocational qualification during their period of employment with the organisation, in addition to job-specific training/qualification. Presently, 15 of the existing 44

staff are undertaking a training programme supported and assisted by the JSS.

Communications Infrastructure

The JSS investment in the supporting communications infrastructure will continue during 2008/09, supplementing the existing back-office system with any assessed relative enhancements, maintaining the provision of a JSS e-catalogue in the required format to those Authority members requiring the facility, continuing the computer hardware replacement programme, developing a computerised customer services database, replacing the existing telephone system with a Voice Over Internet Protocol (VOIP) facility and the essential requirement of completing the deferred web-catalogue e-supply service.

Funding for the developments is primarily provided from the existing accumulated balances of the JSS.

Marketing and Sales

The marketing and sales programme for the JSS will be enhanced during 2008/09 to facilitate the sales growth target and will specifically include,

- Completion and availability of the 2008/09 Catalogues by 1st April.
- Price discounting to the majority customer-base, schools, to respond to the expected continued challenge during 2008/09 of other public sector consortia supply initiatives evident during 2007/08.
- Provision of catalogues, relevant to service availability, to other adjacent local authorities, supported by selective customer visits to designated schools in the areas.

- Enhanced monitoring and communications within the existing customer group.
- Production of a Service Portfolio pack for distribution amongst the existing and new customer group.
- Continue with the support to respective authorities' Sustainability strategies, providing opportunity for close working relationships with the relevant sectors, particularly schools, developing a reputation as a recognised 'reference source'.

Purchasing

The Purchasing strategy for the JSS has clear objectives and expected outcomes, with the expected contribution to the JSS of obtaining price advantage from both contractual and non-contractual supply arrangements.

Site, Equipment (major) Investment

Following the investment in the building structure and vehicles during 2007/08 to support operational requirements, there are no plans to invest further during 2008/09, other than the existing programme or day-to-day and Health & Safety related.

Future requirements of the JSS will be reviewed and assessed as part of the budgetary preparation considerations for 2009/10.