

BRIDGEND COUNTY BOROUGH COUNCIL

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

28 JUNE 2012

REPORT OF THE MANAGER OF THE JOINT SUPPLIES SERVICE

PERFORMANCE AND BUSINESS REVIEW UPDATE

1. Purpose of Report

The purpose of the report is to update Members in relation to progress being made with the implementation of the Business Review report approved in February 2012 and also to provide the Joint Committee with an appraisal of the Service trading and operational performance during April/May 2012/13.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

- 2.1 The Joint Supplies Service (JSS) provides a purchasing and supply facility for each of the partnering Authorities, for common and repetitive spend commodities, securing savings to corporate customers and schools through economies of scale and thereby contributes to the financial prudence of the Authority.

3. Background

- 3.1 The Joint Committee endorsed the findings of the Officer review presented in February 2012. This requires the Service to modernise and consolidate aspects of its business operations in order that it can meet the expectations of the four participating authorities and respond to the changing public sector supply environment.

4. Current Position – Implementation Progress

4.1 Development Action Plan

- 4.1.1 The implementation of the Service change has been incorporated into a Development Action Plan. The Plan has been reviewed, modified and updated since the last meeting and a copy is attached as an Appendix to this report.
- 4.1.2 The Action Plan provides for twelve core areas of development and change, of which seven elements are in process and a summary or progress is provided below.

4.2 Organisation Structure

- 4.2.1 The formal consultation process with staff commenced in April, comprising several meetings between JSS employees and BCBC Officers.
- 4.2.2 The final structure has been confirmed as part of the process, which is the structure reported to the Joint Committee at the previous meeting in April. There are nine posts directly affected by the reorganisation, with the number of posts to be reduced by three, two of which have potential redundancy implications.
- 4.2.3 Voluntary redundancy applications have been received from two individuals, in accordance with the BCBC schemes. Discussions as to the financial implications are being undertaken presently and a further report may be required to be presented to the next meeting of the Joint Committee.
- 4.2.4 The process of developing job descriptions and personal specifications has been completed and it is anticipated the formal consultation process will be completed this month, with the implementation of the new structure to commence in July 2012, becoming operational on 1 August 2012.

4.3 Operational Process Reviews

- 4.3.1 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.
- 4.3.2 To assess opportunities for optimising use of resources within the distribution service, a transport consultancy company was recruited in March 2012, to undertake a detailed analysis of the distribution process and produce distribution modelling options for the future.
- 4.3.3 The final meeting and presentation with the consultants took place earlier this month and officers are now considering the three options recommended as proposed below:
- Extend the use of vehicle monitoring equipment to enhance performance management
 - Purchase and utilise vehicle routing software
 - Consider outsourcing of distribution service
- 4.3.4 A summary report will be presented to the next meeting of the Joint Committee.
- 4.3.5 The preliminary review of the existing storage and in-stores operational practice, to identify any opportunities to improve efficiency has commenced this month in accordance with the Action Plan.

4.4 Integration of IT System with Host Authority

- 4.4.1 The review identified the need to explore the integration of business systems used by the JSS and BCBC, as the host authority.
- 4.4.2 The initial investigations with the BCBC 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.
- 4.4.3 Following a series of meetings and consultation between the company and officers of the JSS and BCBC, it has 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.
- 4.4.4 Effectively, the company does not have the replacement software solution which would provide the functionality performance of the software currently used by the JSS.
- 4.4.5 The opinion of the assessing officers is that the proposed solution to the software deficiencies appears to be both complicated and requires a high level of maintenance, producing an operational and financial risk to the JSS.
- 4.4.6 It has also become apparent that the timescales for the potential availability and implementation of the modified/developed product are such that they are unlikely to be available for business use until April-June 2013. In the context of the three-year Business Plan to March 2015, the subsequent delay to introducing IT-related operational efficiencies and the investment pay-back period is considered to be an unacceptable way forward.
- 4.4.7 The conclusion of the JSS and BCBC officer group which undertook the assessment is 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.
- 4.4.8 A further report will be submitted to the next meeting.

4.5 Marketing Strategy

- 4.5.1 The existing Marketing Strategy is being further developed, reflecting discussions with the Joint Officer Group, to incorporate the requirements of the “Way Forward” conclusions of the Business Review report.

- 4.5.2 As part of the review and update, a Customer Survey has been undertaken, which will support and inform the development of the strategy.
- 4.5.3 Previous reports have advised that future strategy is expected to be significantly impacted by the outcome of the (Welsh Government) Value Wales National Procurement Service review of common and repetitive spend, a report on which has recently been produced and is currently subject to public sector consultation.

4.6 Constitution – Joint Agreement

- 4.6.1 As recognised in the Business Review report, the existing Joint Agreement between the four authorities will need to be reviewed and updated.
- 4.6.2 Advice has been received which indicates the necessary changes can be incorporated by way of a Deed of Variation. Legal Officers of BCBC are currently reviewing the document, the outcome of which will require consideration by the Joint Committee and also the approval of each authority within the processes of each Council.
- 4.6.3 The final report is scheduled to be presented to the meeting of the Joint Committee in September.

4.7 Stock Range Review

The review of the current stock range, in line with the principles and recommendations of the Business Review report, commenced earlier this month, with the anticipated changes to the catalogue-stores range being introduced in the 2013/14 catalogue.

4.8 Other Planned Developments

The remaining tasks within the Development Action Plan, as outlined in the Appendix, are planned to start later in the year.

4.9 Performance Review – April/May 2012/13

4.9.1 Service Turnover

4.9.1.1 2012/13 April-May (week 09)

As part of the regular reports to the Joint Committee, the value of Service sales turnover for the relevant period, as measured against the sales target (together with comparison to the same period last year) is outlined below.

The first two month period has provided a positive outcome with growth above target being evident as summarised below. The June/July months are traditionally, the most demanding, primarily from the

schools sector with approximately 25% of total annual catalogue-stores turnover being realised during the period.

Table 1: Turnover to date (Order book)

	Actual April-May 2011/12	Target April- May 2012/13	Actual April-May 2012/13	% Actual to target
	£,000	£,000	£,000	
Catalogue Stores	640	665	723	+8.7%
Catalogue Direct	202	217	217	0
Totals	842	882	940	+6.6%

Table 2: Turnover (Order book) – Full Year Comparison

	Actual 2011/12	Full-Year Target 2012/13	Actual (to Week 09 2012/13	Variance	% of Target to be achieved in remaining 43 wks
	£,000	£,000	£,000	£'000	
Total	6,200	6270	940	5,330	85%

Table 3: Turnover (Order book) by Customer Area (to May)

Year	Bridgend	Caerphilly	Merthyr Tydfil	Rhondda Cynon Taf
	£,000	£,000	£,000	£,000
2012/13	188	226	68	331
2011/12	187	202	59	293

Year	Cardiff	Neath-Port Talbot	Swansea	Vale of Glamorgan	Other
	£,000	£,000	£,000	£,000	£,000
2012/13	37	16	22	24	28
2011/12	31	15	20	11	24

4.9.2 Summary Financial Position at 31st May 2012.

4.9.2.1 A summary of revenue budget expenditure/income for the financial year to 31 May 2012 is provided below for information.

Table 4 - Comparison of budget against projected spend at 31st May 2012

Expenditure Group	Budget 2012/13	Adjusted Actual to 31 May 2012	Projected Outturn 2012/13	Projected Over/(Under) Spend 2011/12
	£,000	£,000	£,000	£,000
Employees	885	141	885	(0)
Supplies/Services	164	27	164	(0)
Transport	111	18	111	(0)
Premises	87	15	87	0
Finance/Support Services	38	6	38	0
Total Expenditure	1285	207	1285	(0)
Trading	1,170	243	1,253	(83)
Non Trading	145	23	135	10
Total Net Income*	1315	266	1388	(73)
Deficit/(Surplus)	(30)	(59)	(103)	(103)

4.9.2.2 The JSS is currently undertaking a staff restructure of the operation which it is anticipated will have financial implications for the Employee budget during the present financial year (and successive years), the outcome of which will be reported to the next meeting.

4.9.2.3 The 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. Financial monitoring undertaken to 31st May has estimated the projected trading outturn to be £1.253m, in addition to this non-trading income of £0.135m is estimated. The total 2012/13 net income estimated at the 31st May 2012 is £1.388m. The £1.315m net income budget, as in the above table, was approved as part of a provisional operational budget during the period of the recent Service Business Review, with the consequential budgetary implications being reassessed, as outlined in the preceding paragraph, for further report.

4.9.3 Service Performance Indicators

4.9.3.1 Monitoring reports are presented to the Joint Committee in relation to core performance indicators of the Service, with the following summary information provided for the year to 31 May, together with the final outcomes for 2011/12 for comparison.

Table 5 - Service Performance Indicators for 2012/13

Performance Indicator	Service Target	2011/12	2012/13
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		(Full Year)	(To 31 May)
Product Availability Average stock level available for customers on first request	96%	97.2%	97.65%
Stockholding Value Average stock value retained during the trading year.	8 weeks stock equivalent	9.1 weeks (£546k)	10.3 (£622k)
Debt Management Owed debt to the JSS during trading year	Not greater than 5.5 weeks credit income	4.1 weeks (Average £511k)	4.0 weeks (Average 400k)
Creditor Payments Supplier payments within the legislative payment period	97.5%	98.58%	99.18%

4.9.4 Absence Monitoring April/May – 2012/13

4.9.4.1 A summary of sickness absence for the current year to 31 May is detailed below for information.

Table 6 - Absence Monitoring to 31st May 2012

No. of days absence	Average no. of days per person
55 (30.5)	1.6 (0.2 excl. long-term)
<i>(Previous year in brackets.)</i>	

4.9.4.2 The absence level includes two long-term absences totalling 49 days, within the overall absence of 55 days and compares to 30.5 days for the same period last year. One of the officers has a continuing absence which is being monitored by the Authority's Occupational Health Service.

4.9.4.3 Committee has requested financial information to be provided in regard the costs of sickness absence, including both contractual sickness payments and the provision of any additional resource cover requirements to meet service performance demands. For the information of Members the assessed overall cost of sickness absence above, at actual salaries, is £4,132.

4.9.4.4 At the last meeting of the Joint Committee, Members requested further information be provided in relation to the long-term absences within the JSS during 2011/12. Analysis of the practice followed during the period of each absence has been reviewed with corporate Human Resources Officers and it is acknowledged that enhancement to some elements of the absence management should be introduced which, whilst this may not impact upon the duration of absences will better inform the process of absence management.

4.9.4.5 Enhanced working practice has been implemented and increased liaison with the Authority's Human Resources unit is being developed.

4.9.5 Electronic Transactions

- 4.9.5.1 A strategic objective of the Joint Service, as part of the e-supply programme, is the increase and enhancement of electronic transacting with customers, to include e-ordering, e-sales invoicing/payment and e-communications generally, to provide current and easily accessible information and enhanced marketing opportunity.
- 4.9.5.2 The key components in the development are the JSS interactive web-site, the national public sector xchangewales portal and the enhancement (or replacement) of the Service back-office IT system.
- 4.9.5.3 Periodic reports have been presented to the Joint Committee appraising Members of the progress of the e-supply objective and a summary of the current position for the April/May period is provided below together with details of the last reported period in January 2012 for comparison.

Table 7 - Sales Order Analysis

Transaction Medium	April/May 2012/13	April/January 2011/12
Xchangewales	32.8%	27.0%
JSS Web Site	9.8%	5.4%
Other – fax, mail, telephone	57.4%	67.6%

- 4.9.5.4 Xchangewales Portal
The national xchangewales portal is the primary e-trading medium to the JSS at this time, providing an increasing volume of electronic purchase transactions from the four joint authorities, as the facility is rolled-out, as well as other xchangewales users from primarily the South Wales area.

Analysis of the customer usage of the portal is provided below.

Table 8 – Xchangewales User Analysis

BCBC	CCBC	MTCBC	RCTCBC	Cardiff	Newport	Swansea	Vof G	Wrexham
7.8%	32.1%	10.2%	39.7%	0.1%	0.4%	4.0%	5.6%	0.1%

- 4.9.5.5 JSS Web Site
The JSS web site provides an interactive, real-time, catalogue product ordering/ payment facility and content information facility available to all customers, with the prime target group for the e-trading function being the educational sector and independent customers.
The web site, together with the annual catalogue, is now the core marketing tool of the Service.

Turnover usage via the web site has increased steadily since the last report earlier in February this year, as indicated above, with analysis of the web site users being provided below.

Table 9 – Web Site User Analysis

BCBC	CCBC	MTCBC	RCTCBC	Other
17%	7.7%	3.3%	21%	51%

4.9.5.6 Non-electronic Transactions

The majority of customer ordering transactions continues to reflect the non-electronic practices of fax, postal and telephone, though this has 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) is expected to significantly increase schools e-ordering usage of the web site.

4.9.5.7 Purchase Card Transactions (Customers)

At the last meeting, information was requested to be provided of the use of Purchase Cards as the transaction payment medium by customers, with the facility being available both generally and via the web site.

This payment method by customers presently accounts for 1.5% of the overall collected payments this year to date, with summary as below.

Table 10 – Purchase Card Usage Analysis

BCBC	CCBC	MTCBC	RCTCBC	Other	Total
£3k	Nil	Nil	£58k	£20k	£81k

Further reports will be presented to the Joint Committee during the year.

4.9.6 Schedule of Joint Committee Meetings

4.9.6.1 The programme of meetings for 2012/13 was approved previously with the next scheduled meeting being arranged for September 27th.

4.9.6.2 During the next weeks it is planned to complete work on some of the tasks within the Development Action Plan, culminating in formal reports being presented to Members.

4.9.6.3 It is therefore proposed to arrange an additional meeting of the Joint Committee which is provisionally scheduled for July 27th.

5 Effect upon Policy Framework and Procedure Rules

None.

6 Equalities Impact Assessment

There is no impact on specific equality duties.

7 Financial Implications

These are reflected in the report.

8 Recommendation

It is recommended that Members note the content of the report.

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Background Documents:

None other than identified within the report.

Appendix 1

County Borough Supplies

Development Action Plan 2012/13

Action	Responsible Officer (s)	Start Date	Completion Date	Progress	Dependencies
Organisation Structure					
Finalise structure	DM/JF/PH	Feb 12	Mar 12	Completed	
Staff Consultation	DM/JF	Apr 12	June 12	In Process	
Implementation	PH	June 12	Sept 12	As Action Plan	Consultation Outcome
a) Job Descriptions	JF/PH	Apr 12	May 12	Completed	
b) Displaced staff	JF/PH	July 12	Sept 12	As Action Plan	
c) Phased introduction	PH	July 12	Dec 12	As Action Plan	
Logistics					
Transport					
Appoint consultant	JF	Mar 12	Mar 12	Completed	
Review Process	PH	Mar 12	Apr 12	Completed	
Report Outcomes	Officer Group	Apr/May 12	June 12	In Process	
Implementation	PH	July 12	Dec 12	As Action Plan	Review Outcome
Warehouse Storage/ In-house Operations					
Review Process	PH	June 12	July 12	In Process	
Completion & Report	Officer Group	Aug 12	Aug 12	As Action Plan	
Implementation	PH	Sept 12	Nov 12	As Action Plan	Review Outcome
IT Systems Review					
Preliminary scoping of	JF/PH	Mar 12	Apr 12	Completed	

requirements/availability					
Assess integration requirements	JF/PH (IT)	May 12	June 12	In Process	
Determine suitability	JF/PH	June 12	July 12	In Process	
Assess investment and annual operating costs	JF/PH	June 12	July 12	In Process	
Assess efficiency opportunities/savings	JF/PH	June 12	July 12	In Process	
Produce Business Case (or otherwise)	JF/PH	June 12	July 12	In Process	
Progress Report to Officers/JC	JF/PH	28 June 12	28 June 12	Completed	Committee Programme
Final Report to JC	JF/PH	27 Sept 12	27 Sept 12	As Action Plan	
Implementation: Option 1: New system	PH	Jan 13	Apr-June 13	Deferred process dates	BCBC Host system upgrade
Option 2: Modernise existing system	PH	Aug 12	Sept 12	As Action Plan	
Resource Implications a) HR b) Operational	JF/PH	Oct 12	Mar 13	As Action Plan	
Marketing Strategy					
Confirm JSS objectives, review existing strategy	Officer Group	June 12	June 12	In Process	National Procurement Service Review
On line customer survey	PH	Mar 12	Apr 12	Completed	
Assess/develop changes	PH	July 12	Aug 12	As Action Plan	
Implementation Plan	PH	July 12	Aug 12	As Action Plan	
Implementation	PH	Aug/Sept 12	Mar 15	As Action Plan	
Progress Report to JC	PH	28 June 12	28 June 12	Completed	Committee Programme
Review business opportunities resulting from NPS	Officer Group	Sept 12	Dec 12	As	Report Completion/Outcome
Constitution					

Finalise planned changes	BCBC (Legal)	June12	Aug 12	In Process	
Produce draft deed of variation	BCBC (Legal)	June12	Aug 12	As Action Plan	
Obtain agreement from Legal Officers	BCBC (Legal)	Aug 12	Sept 12	As Action Plan	
Agreement of Authorities	Officer Group	Sept 12	Sept 12	As Action Plan	Council Business Programmes
Progress Report to Joint Committee	Officer Group	28 June12	28 June 12	Completed	Committee Programme
Final Report to Joint Committee	Officer Group	27 Sept 12	27 Sept 12	As Action Plan	
Stock Range (Effective new catalogue 2013/14)					
Confirm requirements	Officer Group	June 12	Sept 12	In Process	
Determine future stock range	Officer Group	Sept 12	Oct 12	As Action Plan	National Procurement Service Review
a) Slow-moving	PH	Oct 12	Oct 12	As Action Plan	
b) Standardisation	PH	Oct 12	Nov 12	As Action Plan	
Assess customer implications	PH	Oct 12	Nov 12	As Action Plan	
Assess alternative supply arrangements/practices	PH	Nov 12	Nov 12	As Action Plan	
Customer communications	PH	Dec 12	Mar 13	As Action Plan	
Implementation	PH	Apr 13	Apr 13	As Action Plan	Catalogue Publication
Disposal of surplus products		Jan13	Mar13	As Action Plan	
Business Plan					
Produce new business plan for next 3 years	Officer Group	July 12	July 12	As Action Plan	NPS Outcome
Establish PI's and mechanism for calculating	Officer Group	July 12	July12	As Action Plan	
Evaluate outcomes of NPS and impact on organisation	Officer Group	Sept 12	Sept 12	As Action Plan	
Report to JC	Officer Group	27 Sept 12	27 Sept 12	As Action Plan	
Implementation and produce revised action plan	PH	Sept 12	Sept 12	As Action Plan	NPS Outcome

E-Tendering (Joint Project)					
Process Review/Trialling	JF/PH	Aug 12	Dec12	As Action Plan	
Implementation	PH	Jan 13	Mar 15	As Action Plan	Subject to Outcome
Staff Development					
Assess requirement	PH	July 12	Sept 12	As Action Plan	
Implementation	PH	Apr 13	Mar 15	As Action Plan	
National Procurement Service					
Assess impact of Review	Officers	Sept 12	Sept 12	As Action Plan	NPS Outcome
Determine way forward	Officers	Oct 12	Dec 12	As Action Plan	
Implementation	PH	Apr 14			
Procurement Strategy Review					
Review requirements	PH/JF	Aug 12	Sept 12	As Action Plan	
Finalise Outcome	PH/JF	Sept 12	Sept 12	As Action Plan	
Implementation	PH	Sept 12			

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