

BRIDGEND COUNTY BOROUGH COUNCIL

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

27 SEPTEMBER 2012

**REPORT OF THE MANAGER OF THE JOINT SUPPLIES SERVICE
SERVICE TRADING AND OPERATIONAL PERFORMANCE AND PROGRESS
REGARDING THE IMPLEMENTATION OF THE APPROVED BUSINESS REVIEW
REPORT**

1. Purpose of Report

The purpose of the report is to appraise Members of the Service trading and operational performance during the year to date and to update the Joint Committee of the progress being made with the implementation of the approved Business Review report.

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

2.1 The Joint Supplies Service (JSS) provides a purchasing and supply function which secures 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 JSS provides a single-source supplies facility for each of the partnering Authorities, through delivery via stores and a direct sourcing function for items of common and repetitive spend. It demonstrates savings to customers and schools through economies of scale. The Joint Supplies Service Committee endorsed the findings of an Officer review requiring 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

4.1 Performance Review – April-August 2012/13

4.1.1 Service Turnover

2012/13 April-August (week 22)

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 five month period has been positive with sales above target being evident as summarised in the following tables with some growth in the use of the JSS arrangements by schools in adjacent authority areas.

Table 1: Turnover to date (Order book)

| | Actual April-Aug 2011/12 | Target April- Aug 2012/13 | Actual April-Aug 2012/13 | % Actual to target |
|------------------|---|--|---|-------------------------------|
| | £,000 | £,000 | £,000 | |
| Catalogue Stores | 1,897 | 1,970 | 1,965 | -0.2% |
| Catalogue Direct | 872* | 681 | 767 | +12.6% |
| Totals | 2,769 | 2,651 | 2,732 | +3.0% |

*Includes major school project, as below.

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

| | Actual 2011/12 | Full-Year Target 2012/13 | Actual to August 2012/13 | Variance | % of Target to be achieved in remaining 30 wks |
|--------------|---------------------------|---|---|-----------------|---|
| | £,000 | £,000 | £,000 | £'000 | |
| Total | 6,200 | 6270 | 2,732 | 3,538 | 56% |

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

| Year | Bridgend | Caerphilly | Merthyr Tydfil | Rhondda Cynon Taf |
|-------------|-----------------|-------------------|-----------------------|------------------------------|
| | £,000 | £,000 | £,000 | £,000 |
| 2012/13 | 506 | 658 | 183 | 962 |
| 2011/12 | 694* | 605 | 185 | 938 |

| Year | Cardiff | Neath-Port Talbot | Swansea | Vale of Glamorgan | Other |
|-------------|----------------|------------------------------|----------------|------------------------------|--------------|
| | £,000 | £,000 | £,000 | £,000 | £,000 |
| 2012/13 | 117 | 43 | 69 | 69 | 125 |
| 2011/12 | 106 | 47 | 60 | 42 | 90 |

*Turnover during 2011/12 included a major school 'new build' project in Bridgend, involving the supply of furniture and equipment by the Joint Supplies Service.

4.1.2 Summary Financial Position at 31st August 2012.

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

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

| Expenditure Group | Budget 2012/13 £,000 | Adjusted Actual to 31 Aug 2012 £,000 | Projected Outturn 2012/13 £,000 | Projected Over/(Under) Spend 2012/13 £,000 |
|-----------------------------|----------------------------|---|--|--|
| Employees | 910 | 391 | 910 | 0 |
| Supplies/Services | 164 | 75 | 172 | 8 |
| Transport | 109 | 40 | 106 | (3) |
| Premises | 87 | 37 | 87 | 0 |
| Finance/Support Services | 38 | 16 | 38 | 0 |
| Total Expenditure | 1308 | 559 | 1313 | 5 |
| Trading | 1,250 | 602 | 1,253 | (3) |
| Non Trading | 135 | 54 | 115 | 20 |
| Total Net Income* | 1385 | 656 | 1368 | 17 |
| Deficit/(Surplus) | (77) | (97) | (55) | 22 |

4.1.2.2 Reasons for variation between budget and expenditure/income

- A projected over-spend on Supplies & Services (£8k) in respect of the funding of an external review and report on the JSS distribution service
- A projected under-spend on transport (£3k) in respect of operational efficiencies
- A projected under-recovery of non-trading income (£20k) as a consequence of reduced catalogue-production related income reflecting a decision by the JSS trading-partner, Cardiff Council Supplies, not to participate in next year's catalogue production arrangements together with reduced catalogue-supplier support contributions.
- A projected increase in trading income (£3k) which may be further increased should existing levels of return and turnover continue to the year-end.

4.1.3 Service Performance Indicators

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 August, together with the final outcomes for 2011/12 for comparison.

Table 5 - Service Performance Indicators for 2012/13

| Performance Indicator | Service Target | 2011/12 (Full Year) | 2012/13 (To 31 Aug) |
|---|--|------------------------------|-----------------------------|
| Product Availability Average stock level available for customers on first request | 96% | 97.2% | 96.7% |
| Stockholding Value Average stock value retained during the trading year. | 8 weeks stock equivalent | 9.1 weeks (£546k) | 10.6 weeks (£639k) |
| Debt Management Owed debt to the JSS during trading year | Not greater than 5.5 weeks credit income | 4.1 weeks (Average £511k) | 4.2 weeks (Average 460k) |
| Creditor Payments Supplier payments within the legislative payment period | 97.5% | 98.58% | 99.13% |

4.1.4 Absence Monitoring April/August – 2012/13

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

Table 6 - Absence Monitoring to 31st August 2012

| No. of days absence | Average no. of days per person |
|-------------------------------------|--------------------------------|
| 160 (78) | 4.6 (1.5 excl. long-term) |
| <i>(Previous year in brackets.)</i> | |

4.1.4.2 The absence level includes three long-term absences totalling 111 days within the overall absence of 160 days and compares to 78 days for the same period last year. Two of the officers have left the Service, with a third continuing absence which is being monitored in conjunction with the Authority's Occupational Health Service.

4.1.4.3 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 £14,775.

4.1.5 Electronic Transactions

4.1.5.1 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.

4.1.5.2 The key components in the development are the JSS interactive website, the national public sector xchangewales portal and the enhancement of the Service back-office IT system.

4.1.5.3 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-August period is provided below together with details of the last reported period in June 2012 for comparison.

4.1.5.4 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.

Table 7 - Sales Order Analysis

| Transaction Medium | April/Aug 2012/13 | April/May 2012/13 |
|------------------------------|--------------------------|--------------------------|
| Xchangewales | 24.2% | 32.8% |
| JSS Web Site | 8.8% | 9.8% |
| Other – fax, mail, telephone | 67.0% | 57.4% |

4.1.6 Year End Holiday Period

4.1.6.1 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.

4.1.6.2 For information, the host authority will be closing all main offices on December 24th with the same staff leave or flexible working arrangements in place.

4.2 Current Market Developments

4.2.1 The Business Review report provided the Joint Committee with a way forward profile for the Joint Service (JSS) for the three-year period to March 2015 and regular progress implementation reports are presented for information and monitoring.

4.2.2 There have been market and related developments since this process commenced, particularly in the last months, which could have implications for the JSS and Officers have considered it is appropriate for these issues to be provided to Members for information.

4.2.3 Joint Trading Partner – City and County of Cardiff Supplies Service

4.2.3.1 The JSS operates in an, informal, trading partner arrangement with the Cardiff Supplies Service, aggregating product purchase volumes for contracting purposes, sharing trading contract management responsibilities, catalogue-content management roles and also sharing operational bulk volume purchase transactions.

4.2.3.2 Cardiff has, and continues, to review it's future operational supply requirements and since the last Joint Committee meeting 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.

4.2.3.3 JSS Officers have previously met with Cardiff and further meetings are scheduled for later this month (subsequent to the preparation of this report) and it is intended to provide an update at this Committee meeting.

4.2.3.4 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.

4.2.3.5 Conversely, depending upon the way forward adopted by the Authority, there could be opportunity for the JSS to expand business supply in the area.

4.2.4 Market Competition

4.2.4.1 The Consortium, Wiltshire

The Consortium is a long-standing competitor of the JSS, being part of the Smiths News Group which is diversifying into the supplies market, and has now purchased West Mercia Supplies, Shrewsbury, a local authority supplies consortium organisation which formed part of

the Pro-5 Group of local authority consortia which supplies to the majority of local authorities in England and also within Wales.

4.2.4.2 Increased sales promotional activity is anticipated and is being monitored by JSS officers, with the JSS continuing to implement marketing and sales initiatives, as reflected in the JSS Marketing and Sales Strategy.

4.2.4.3 **Eastern Shires Purchasing Organisation (ESPO)**

ESPO is a local authority consortium organisation, also part of the Pro-5 Group referred to above, supplying local authorities and schools in South Wales currently, is enhancing its sales operations in Wales, generally, with additional resources being introduced.

4.2.4.4 **Local Supplier Competition/JSS Marketing Resource**

A locally-based stationery and equipment supplier is diversifying its existing product range portfolio to extend into the educational supplies market, in competition with the JSS, and has recently recruited the JSS Marketing Manager (Senior Marketing Officer-designate in the new structure) as the sector local account manager.

4.2.5 **Recommendation**

In response to the above, Officers are proposing 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.

4.3 **Development Action Plan – Implementation Progress**

4.3.1 The implementation of the Service change has been incorporated into a Development Action Plan and a summary of progress since the last meeting is provided on the attached Appendix 1, with more-detailed commentary provided below.

4.3.2 The Action Plan provides for twelve core areas of development and change, of which nine units are currently in process.

4.4 **Organisation Structure**

4.4.1 Implementation of the new Service structure has proceeded since the last meeting and is anticipated to complete by 30th September.

4.4.2 The appointment of the two new Business Managers has been undertaken, with the transfer and alignment of new responsibilities and amalgamation of the previous service units into the two new business groups in process currently with a planned completion by mid-October.

4.4.3 The appointment of the other posts directly affected by the restructure is being progressively introduced in accordance with the planned timescale.

4.4.4 The planned reduction of three posts (to 33 posts) is proceeding, with the voluntary redundancy of one officer completing on July 31st and with the second agreed voluntary redundancy being scheduled for 31st October. The third post, non-filled, has been deleted from the structure.

4.5 Modernisation Programme – IT System

4.5.1 The modernisation investment to support the Business Review objectives encompasses the enhancement of business processes relative to both operational (warehouse and distribution) and the non-operational business support functions.

4.5.2 As reported to the last meeting, priority has been given to the IT-change elements which will (a) support the impact of the reduced resource availability arising from the organisation restructure (b) present opportunity for identified financial and early-attainable savings (c) require modest investment (d) will positively impact upon existing manual practice and (e) are not directly impacted by the National Procurement Service agenda.

4.5.3 Following the agreement to maintain the existing IT support system, the attached work programme for 2012/13 (Appendix 2) was designed for the first phase of the development, with the second-phase (operational specific) being planned to commence later in the year.

4.5.4 Implementation commenced during August, specifically the upgrade of the IT back-office system as a pre-requisite to the specific enhancements planned to improve efficiency, as included on the attached Appendix.

4.5.5 The testing of the system upgrade is in process currently, proceeding as anticipated, with a planned 'go-live' date during week-commencing 17th September, with finalisation of the enhancements now anticipated during October.

4.6 Operational Processes Review - Transport

4.6.1 As reported to the Joint Committee previously, a transport consultancy review concluded the distribution costs of the JSS were competitive in comparison to private sector standard price tariffs, with a cost advantage of 19%, noting the comparison reflects standard rather than

service-specific prices which could only be obtained from a tender exercise.

- 4.6.2 The review further advised service and further financial benefit could accrue the JSS with the attainment of efficiency improvements to the existing arrangements and consequently identified three options for consideration of the way forward for the distribution service,
- extend the use of vehicle monitoring equipment to enhance existing performance management (Option 1)
 - invest in vehicle routing software to facilitate alternative routing methodology (Option 2)
 - consider outsourcing the distribution service (Option 3)
- 4.6.3 The report concluded annual savings of £19k - £31k were potentially available by introducing changes and improvements to existing practice, the vehicle fleet structure and extending operational working hours, if practical.
- 4.6.4 It is recognised the report, by necessity, had included some elements of data estimate and assessment relative to aspects of the analysis, which could impact upon the content and construction of the future JSS transport structure, with the consideration of such information being a pre-requirement to a final decision on the future provision of the distribution service.
- 4.6.5 At the same time, the potential early benefits arising from the modest investment required to facilitate the trialling and assessment of the proposals of option 1, as below, as an interim way forward are apparent.
- 4.6.6 Officers are mindful also of the recent market-change developments within the JSS operational environment, as reported earlier, with the consequential uncertainty of their full impact upon the JSS at this time.
- 4.6.7 Consequently, the approach since the last meeting has been to introduce practice changes and work programmes to achieve both the assimilation of relevant information in conjunction with the interim implementation of the principles of option 1, including the extension of vehicle monitoring equipment to additional vehicles.
- 4.6.8 The required fixed data units have been measured and recorded, being tested currently, within the existing transport arrangements. The other information relevant to the above, the 'moving' data, comprising actual consignment volumes analysis will be assimilated over the next months to support the progress of the option decision.

4.6.9 The initial start-up costs relative to the three options are provided below,

Table 8 – Comparative start-up costs

| | |
|----------|-------------------------|
| Option 1 | £900 (six month period) |
| Option 2 | £11.5k (first year) |
| Option 3 | Not applicable |

4.6.10 There are financial implications for the existing and future vehicles-types to be used, as applicable to both the in-house service options, and illustrative costs are provided on the attached Appendix 3.

4.6.11 This financial data reflects the core-service provision transport requirement throughout the year and excludes costs of additional transport to support peak activity periods (common to both in-house options).

4.6.12 In summary therefore, in recognition of current supplies market conditions discussed previously in this report and the avoidance of potentially larger-scale investment at this time, JSS Officers have adopted the proposal of option 1 as an immediate way forward, with monitoring and further review after a three-month period, with this approach providing several benefits, as below,

- minimal cost investment
- provides JSS opportunity to increase efficiency
- no vehicle purchase costs
- supports automatic data collection for future decision purposes
- recognises uncertainty of NPS implications at this time
- aligns with existing JSS vehicle replacement programme (March 2013)
- maintains user communications during enhanced competition period

4.6.13 A further report on the outcome of this initiative and consequent considerations of the option to be adopted will be reported to the next Joint Committee meeting.

4.7 Operational Processes Review – Warehouse and Storage

4.7.1 The review of the warehouse storage and operational practice has been undertaken by JSS Officers on the basis of research of published studies and the examination of practice and storage arrangements of a comparable public sector operation in South Wales.

- 4.7.2 Informed research of the efficiency performance of warehouse-based operations almost unanimously concludes that improvements to warehouse performance, within the confines of reasonable budget profiles, will be achieved from three broad areas (a) reducing the 'travel time' for operatives within the warehouse, (b) enhancing supervisory practice and (c) the reduction or elimination of errors.
- 4.7.3 The review of the warehouse arrangements of the other public sector operation was useful and informative, presenting opportunity to examine a modern facility in terms of storage practice, bar-code technology across all core-activities, IT-operations and the use of PDA 'hand-held' technology for functions, all of which form part of the modernisation objectives contained within Phase-2 of the JSS Development Programme.
- 4.7.4 It is though worth noting that the productivity outputs of that organisation are comparable to the performance of the JSS warehouse resource, a commentary which has been included to both clarify existing performance of the Service and also to inform expectations of anticipated future efficiency improvements.
- 4.7.5 The JSS has therefore concentrated on the three core objectives as above in reviewing and introducing immediate change to the warehouse operation, as summarised below.
- 4.7.6 Storage Practice/Operative in-house 'travel time'**
The warehouse has previously been reorganised, with continuing periodic reviews to achieve, where practical, optimum storage locations to minimise travel-distance and further work has been undertaken during the summer. The extent to which optimum storage placement can be achieved is impacted by the existing premises, ie building condition and design, and also the requirements of Health & Safety legislation/guidance as to safe storage practice.
- 4.7.7 Supervisory Function**
- 4.7.7.1 Budgetary restrictions over recent years has necessitated the need to maximise on opportunities to reduce operational costs, with the removal of the Warehouse & Distribution management tier (two posts) during the period, providing a consequential accumulated saving to the JSS of approximately £300k over the last five years. It was anticipated there would inevitably be adverse impact upon some aspects of performance.
- 4.7.7.2 The need to support managerial and supervisory aspects of the operation is core to performance improvement, particularly day to day, 'shop floor' functions. Change to in-house work practices has been trialled successfully during August, and has been introduced in September, facilitating increased supervisory capacity.
- 4.7.8 Operational Efficiency Improvements**

- 4.7.8.1 Statistics from research studies suggest that 'like for like', the current performance error rate of the stores service is within broad acceptable tolerances. It is estimated that an equivalent 3-5% of direct operational staff time overall is involved in the resolve of errors (or reported errors), with between £5k-£10k consequential stock value adjustments.
- 4.7.8.2 The improvement target expectation is for an overall reduction of collective operational resource input time of between 6%-8%, reducing annual operational requirements by an equivalent 650-800 hours, providing for a reduction of annual overtime and reduced temporary, school-term time, resource recruitment for peak periods, subject to existing levels of turnover being realised.
- 4.7.8.3 The anticipated improvement will also enhance the customer image of the JSS, which is an important factor at this time.

4.8 Marketing Strategy

- 4.8.1 The current Marketing Strategy to support the previous five-year Business Plan to 2014/15 has been successful in providing both the retention of existing levels of business overall since 2009/10 as well as developing supply arrangements to other designated customer groups with part attainment of growth targets.
- 4.8.2 The strategy has 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.
- 4.8.3 The strategy plan has now been developed to incorporate the outcome of the JSS Business Review and a summary is attached as Appendix 4.
- 4.8.4 Previous reports have advised the future marketing strategy of the organisation will be potentially impacted by the outcome of the Welsh Government (Value Wales) National Procurement Service review of common repetitive spend, which has been discussed separately at this meeting.

4.9 Constitution – Joint Agreement

- 4.9.1 As recognised in the Business Review report, the existing Joint Agreement between the four authorities will need to be reviewed and updated.
- 4.9.2 Advice had been received which indicated the necessary changes could be incorporated by way of a Deed of Variation. Legal Officers of BCBC, having further considered the content 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 in this way. 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.

- 4.9.3 The final report will be re-scheduled for presentation to the next planned meeting of the Joint Committee in January 2013 or to an additional meeting if considered appropriate

4.10 Catalogue Product Range Review

- 4.10.1 The preliminary review of the catalogue-stores product range commenced towards 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.

- 4.10.2 The Business Review report proposed consideration of future changes to the catalogue-product range, as part of the modernisation programme, measured against a financial criteria of specified low turnover value and/or with the objective of reducing inventory value.

- 4.10.3 Preliminary review and assessment of this recommendation has commenced though has not yet proceeded to a position of completion at this time as a consequence of operational priorities, with the project work continuing currently.

- 4.10.4 The initial assessment of potential income loss is that 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 is required.

- 4.10.5 Additionally, as has been reported earlier, market changes within the supply environment of the JSS are developing and the potential impact upon the Service is not known and the JSS Manager is of the opinion the impact upon trading income streams of proceeding with the catalogue-range changes at this time would represent increased risk both in terms of financial viability and customer retention in 2013/14.

- 4.10.6 The review of the product range, as commented earlier, continues over the next months and any opportunity to remove catalogue-product lines without risk to income will be introduced.

- 4.10.7 A full assessment of the conclusions of the ongoing assessment will be presented to the next scheduled meeting to incorporate the longer-term perspective for the catalogue period to March 2015.

4.11 JSS Business Plan

- 4.11.1 The Business Review report was constructed on the basis of a three-year business period to March 2015, which effectively, reflecting the current Joint Agreement, will require review and authorities decision on the future joint arrangements beyond that date by March 2014.
- 4.11.2 The three-year period is also relevant to the anticipated remaining occupancy duration of the existing premises.
- 4.11.3 The report noted, within its consideration of the core theme of modernising 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.
- 4.11.4 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, again as referred to earlier in this report.
- 4.11.5 The consequential and accumulative impact of the above has 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.
- 4.11.6 This approach should minimise risk to the Joint Committee and authorities.
- 4.11.7 A copy of the Business Plan Executive Summary is attached as Appendix 5.

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 and agree the recommendation of item 4.2.5.

Phil Hughes
Joint Supplies Service Manager

Contact Officer: Phil Hughes,

Telephone: (01656) 664505

E-mail: Phil.Hughes@bridgend.gov.uk

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 | Completed | |
| 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 | Completed | |
| Implementation | PH | July 12 | Dec 12 | As Action Plan | Review Outcome |
| | | | | | |
| Warehouse Storage/ In-house Operations | | | | | |
| Review Process | PH | June 12 | July 12 | Completed | |
| Completion & Report | Officer Group | Aug 12 | Aug 12 | In Process | |
| 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 | Completed | |
| Determine suitability | JF/PH | June 12 | July 12 | Completed | |
| Assess investment and annual operating costs | JF/PH | June 12 | July 12 | Completed | |
| Assess efficiency opportunities/savings | JF/PH | June 12 | July 12 | Completed | |
| Produce Business Case (or otherwise) | JF/PH | June 12 | July 12 | Completed | |
| Progress Report to Officers/JC | JF/PH | 28 June 12 | 28 June 12 | Completed & Decision | Committee Programme |
| Final Report to JC | JF/PH | 27 Sept 12 | 27 Sept 12 | Completed | |
| Implementation: Option 1: New system | PH | Jan 13 | Apr-June 13 | Not applicable | BCBC Host system upgrade |
| Option 2: Modernise existing system | PH | Aug 12 | Sept 12 | In process October | |
| 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 | Completed | National Procurement Service Review |
| On line customer survey | PH | Mar 12 | Apr 12 | Completed | |
| Assess/develop changes | PH | July 12 | Aug 12 | September | |
| Implementation Plan | PH | July 12 | Aug 12 | September | |
| 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 Action Plan | Report Completion/Outcome |
| | | | | | |

| | | | | | |
|--|---------------|------------|------------|-------------------------------------|--|
| Constitution | | | | | |
| Finalise planned changes | BCBC (Legal) | June12 | Aug 12 | In Process September/ October | |
| Produce draft deed of variation | BCBC (Legal) | June12 | Aug 12 | Further Review | Final determination of content |
| Obtain agreement from Legal Officers | BCBC (Legal) | Aug 12 | Sept 12 | October | Final determination of content |
| Agreement of Authorities | Officer Group | Sept 12 | Sept 12 | October/November | 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 | Next meeting January 2013 | |
| 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/Market Conditions |
| 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 | September | NPS Outcome |
| Establish PI's and mechanism for calculating | Officer Group | July 12 | July12 | September | |

| | | | | | |
|---|---------------|------------|------------|----------------|--------------------------|
| Evaluate outcomes of NPS and impact on organisation | Officer Group | Sept 12 | Sept 12 | December | NPS Consultation Outcome |
| 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 | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Updated pjh 120912 (Update 6)

Appendix 2

Modernisation Investment (IT) – Phase 1

| Modernisation | Timescale | Purchase Cost | Annual Costs | Annual Financial Benefit |
|------------------------------|------------------------|---------------|--------------|--|
| System Upgrade | August 2012 | 7.5k | Nil | Nil |
| Automail | September/October 2012 | 2.3k | £300 | 17k (includes 7k nominal staff savings) |
| Contact Management | September/October 2012 | 4.2k | £512 | 3.5k (nominal staff savings) |
| SIMS/Web Alignment | October 2012 | 6.0k | 2.0k | 10.0k (nominal staff savings- subject to customer usage) |
| Automatic Stock Ordering | September/October 2012 | 2.1k | £300 | 2.0k (nominal staff saving) |
| Purchasing Card Cash Posting | September/October 2012 | 2.0k | £200 | 1.0k (nominal staff saving) |

Appendix 3

Operational Processes Review-Transport

Table - 2-year accumulated costs analysis (to March 2015)

| Vehicle Purchase – Large Units (6.5t) – Requirement 5/6 vehicles | | | | | | |
|---|--------------------|---------------------------|-----------------------------------|--------------------------|--------------------------------|-----------------------|
| | Purchase Costs (£) | Vehicle Mang't SLA (£) | Additional Operating Costs (£) | Total Gross Costs (£) | Residual Vehicle Values (£) | Net Cost (2-years) |
| 5 vehicles | 139 | 48 | Nil | 187 | 63 | 124 |
| 6 vehicles | 167 | 58 | 34 | 259 | 76 | 183 |

| Vehicle Purchase – Medium units (3.5t)(as existing core fleet) – Requirements 6/7 vehicles | | | | | | |
|---|-----|----|----|-----|----|-----|
| 6 vehicles | 123 | 36 | 34 | 193 | 55 | 138 |
| 7 vehicles | 143 | 42 | 68 | 253 | 64 | 189 |

| Vehicle Hire – Medium (3.5t) units only (6.5t vehicles not available) | | | |
|--|---------------|--------------------------------|--------------------|
| | Hire Cost (£) | Additional Operating Costs (£) | Net Cost (2-years) |
| 6 vehicles | 72 | 34 | 106 |
| 7 vehicles | 82 | 68 | 150 |

Marketing & Sales Strategy

Introduction

The JSS Marketing & Sales Strategy has been developed from the successful practices of previous marketing/sales plans of the organisation, the Business Review report recommendations and from a customer survey undertaken during April/May 2012, as below.

Marketing & Sales Principles

Enhance customer perception of the JSS

- Modernising business processes
- Using e-communications to replace existing manual practices
- Establishing a comprehensive customer information base

Maintain Product Range (2013/14)

- Structured annual review of customer requirements and product profitability (customer survey)
- Maintain existing arrangements as there is a continued demand for a single-source supply arrangement at this time.
- Competitors offering full range of products as a single-source.

Turnover Objective of 1% growth annually

- Maintain as a minimum and target increased sales from the existing JSS customer base by business analysis and enhanced communications structure
- Increase sales with other authority schools in adjacent authorities and schools within a designated catchment area by account- based marketing, establishing customer product/service awareness telephone-sales, customer visits and regular marketing/sales promotional work
- Identify opportunities to introduce loyalty-marketing to maintain customer accounts
- Promote 'local' supply arrangements.
- Promote support to customer sustainability objectives.

Enhanced Customer Communications

- Support group events eg Head-teacher conferences, school cluster groups and other networking opportunities.

- Selective customer visits to promote Service
- Programme of customer telephone communications
- Scheduled electronic communications with customers
- Utilise authority/other websites to promote Service

Promote JSS Web Site as the Core Marketing Facility

- Promote web-site usage, ordering and general information facility
- Develop web-integration with customer e-procurement structures
- Provides up to date information and beneficial sales order configuration structure
- Usage analysis and consequential customer targeting
- Joint work with Procurement Units to promote.

Product Sales Promotions

- Joint product promotions with suppliers
- Price incentives on key products
- Promotion of slow-moving catalogue lines
- Key-event related promotions
- Designated web site area to promote product sales/offers

Enhanced Customer/Product Usage Analysis

- Maintain programme of information analysis of customer purchasing, general and specific to identify opportunities to supply, increase sales and/or catalogue range
- Enhance usage analysis to support customer communications/visits
- Evaluate product purchasing trends
- Regular price benchmarking and publicising
- Monitoring of sales/marketing initiatives effectiveness.

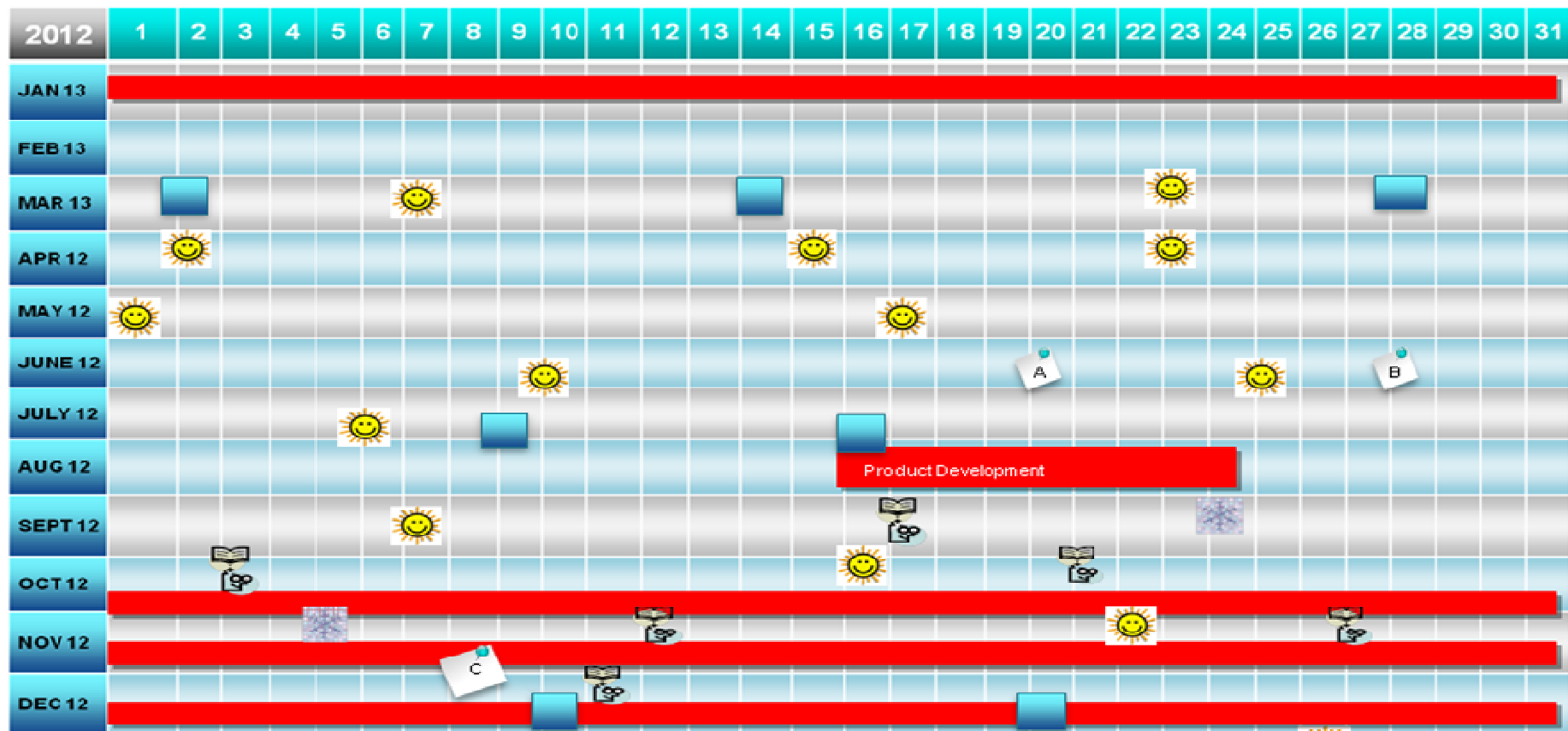
Price Strategy

- Develop a price strategy which will enable the JSS to compete in market-place

Customer Survey

Summary of key responses as follows,

| | |
|--|------------|
| <i>Preference for e-ordering currently</i> | <i>36%</i> |
| <i>Would use the JSS web site or e-mail orders in future</i> | <i>70%</i> |
| <i>Prefer an 'on-demand' delivery service</i> | <i>75%</i> |
| <i>Require existing paper catalogue in future</i> | <i>94%</i> |
| <i>JSS prices are lower or the same as other suppliers</i> | <i>82%</i> |
| <i>Existing catalogue range is 'good – excellent'</i> | <i>95%</i> |
| <i>Use the JSS as their primary supplier</i> | <i>78%</i> |
| <i>Prefer Sales/Marketing communication electronically or web site</i> | <i>88%</i> |
| <i>Service is 'good-excellent'</i> | <i>96%</i> |
| <i>Customer Service contacts with JSS are 'good - excellent'</i> | <i>95%</i> |



Events

- A – Conference CCBC | Lead Teacher's Conference
- B – Conference BCBC ESD/OC – Penrith College
- C – NAFIT CYMRU Exhibition Conference Chepstow

Web Activation – All Customers Continual

CBS Service Info Catalogue Production



Joint Supplies Service

Business Plan – 2012/13 to 2014/15 Executive Summary



Joint Supplies Service - Business Planning Executive Summary

Introduction

1. The Joint Supplies Service has been established since 1996, having a detailed understanding of the requirements of the customer base relative to supply sector within which the JSS operates.
2. The JSS has been successful over the period with overall growth in turnover evident, other than the occasional trading-year, with an accumulated business value exceeding £670k at the 31 March 2012, having started from a position of zero balances.
3. The continued demand for the JSS organisation in the future will be based upon the core service structure of a single-source supply provider (and advisor) for the existing customer base, a function which is replicated by other public and private sector parties.
4. Evidence of the preference for the JSS supply portfolio has been demonstrated from a customer survey undertaken earlier this year which produced very positive responses of support and desirability for the Service, with almost 80% of respondents confirming the JSS as their prime supplier.
5. The financial base and customer-positioning provides a strong platform for the JSS to move forward during the Business Plan period to March 2015.
6. Essential to the success of the joint arrangements is the implementation of the recommendations of the JSS Business Review, effectively restructuring the Service, reducing operational costs, modernising systems and processes, adapting the catalogue range (whilst safeguarding income), continuing the effective sales & marketing strategy, building in a flexibility of approach and resources to respond to the inevitable changing public-sector market-place and maintaining effective risk management to safeguard the interests of the stakeholder authorities.
7. Much of this work has already commenced, with completion during the current year, which is very much the transitional period leading to the consequent opportunities from the derived benefits to be followed during the next two trading years.
8. The JSS has therefore developed the way forward approach detailed in the Business Plan during a period of increasing and potentially increasing change and uncertainty, with a consequent approach of cautionary ambition rather than risk-related objectives for the Service.

Way Forward

9. The JSS has the core objectives of continuing to provide a service-delivery portfolio which is required by the stakeholder authorities during the Business Plan period, together with increasing the financial reserves of the Joint Committee to provide both opportunity to support further major investment in the joint arrangements beyond March 2015 and/or to negate future financial risk in the event of any alternative continuation scenario (Appendix 5(1)).
10. The transition of the JSS into a fully e-enabled supplies organisation will be completed during the first year, reflecting a two-phase investment programme as outlined on the attached Appendices 5(2/3), providing the platform for the designated direction in which the JSS travels or the flexibility to change the Service direction should the anticipated future public-sector procurement strategy impact upon the JSS during the plan period.
11. The current core-range of catalogue products has recently been endorsed by customers. The need to ensure a product range and the appropriate service-delivery methodology which reflects both customer expectation and financial viability for the two-year period to March 2015, providing catalogue stability, is an important requirement and a review to sustain a broad product range reflecting standardisation, product category relevance and inventory investment risk will be completed by December 2012. (The project will be undertaken in parallel with a related review by Cardiff Supplies Service).
12. Reduction to operating costs will complete during 2012/13, primarily staff-related, providing full benefit during 2013/14 - 2014/15, with the revised financial base providing the flexibility to proceed as outlined in paragraph 9 above or to modify the current catalogue-price strategy to the advantage of the stakeholder authorities. A summary of the projected budgetary positioning of the JSS for the Business Plan period is attached, with a potential £1m accumulated surplus balance at March 2015.
13. The sales turnover objective for the period is to maintain the existing levels of turnover from the existing customer base as a minimum objective with an expectation of additional spend opportunities from within the same customer group being available, as derived from information provided in a customer survey. The enhanced back-office system will provide enhanced monitoring and analysis of derived business and the Marketing Strategy has been enhanced to support this initiative.
14. The specific growth target included in the Plan is a relatively modest objective of £60k (£15k income) annually during the next two financial

years, with a target customer group of schools within a designated South Wales sector.

15. The attainment of the above target (and any higher sales turnover) will be supported by resources expected to be released from efficiency savings following the completion of the modernisation programme during 2012.
16. The second year of the Plan will include the review and assessment of a new premise for the JSS for occupancy beyond March 2015.

Service Budget Projection

| Service Budget Projection - 3 Year Period to 2014/2015 | | | | |
|--|----------------------------------|---------|---------|---------|
| £ 000's | | | | |
| | Base Year (Actual) 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| Expenditure (Revenue Budget) | 1,248 | 1,313 | 1,200 | 1,200 |
| Income | 1,398 | 1,369 | 1,380 | 1,380 |
| Surplus | 150 | 56 | 180 | 180 |
| Investment (Reserves) | 0 | 88 | 0 | 0 |
| Accumulative Reserves | 672 | 640 | 820 | 1,000 |

Investment Programme – Financial Projection

| Project | Impact/Other | Timescale | Cost |
|--|---|---|--|
| Service Modernisation Phase 1 a) Back-Office System Upgrade, Auto mail, Contact Management, Automatic Stock Ordering, SIMS/Web alignment, Purchase Card posting b) Procurement e-tendering Phase 2 Operational – Warehouse location/product bar-coding, handheld PDA equipment, warehouse Wi-Fi installation, electronic delivery recording software | Provide a modernised business support structure, automating existing manual practices and facilitating increased schools' access to the JSS web site. Hardware replacement programme (contribution from reserves). Replace existing manual practice. Replace exiting manual warehouse documentation and product recording practices with an e-based transaction recording system, to enhance receipts and order preparation systems of work. Electronic delivery recording practice to replace existing paper-based system. | <u>2012/13</u> August-November December January January - March | £24,000 £8,000 £2,000 £54,000 |
| Operational Equipment Fork Lift Trucks | Renewal of existing lifting equipment (15-year "life" cycle) | 2012/13 2013/14 | £10,000 £10,000 |

Summary

Total investment costs over period to 2014/15: £108,000
 Projected Sales Turnover over same period: £19,000,000

Investment Programme – Financial Projection Summary

| | 2012/13 | 2013/14 | 2014/15 |
|------------------------------|----------------|----------------|----------------|
| <i>Modernisation - IT</i> | <i>88,000</i> | <i>0</i> | <i>0</i> |
| <i>Operational Equipment</i> | <i>10,000*</i> | <i>10,000*</i> | <i>0</i> |
| TOTALS | 98,000 | 10,000 | 0 |

* Subject to level of trading surplus attainment during 2012-14

Overall Total Investment: £108,000 – Reserves/Trading Surplus Funding