

BRIDGEND COUNTY BOROUGH COUNCIL

CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE

27 JUNE 2013

REPORT OF THE CORPORATE DIRECTOR - RESOURCES

**SERVICE TRADING, OPERATIONAL PERFORMANCE AND THE
IMPLEMENTATION OF THE APPROVED BUSINESS REVIEW REPORT**

1. Purpose of Report

The purpose of the report is to advise Members of the Service trading and operational performance during 2012/13 together with 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 Plan / 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 situation/proposal

4.1 Performance Review – 2012/13

4.1.1 Service Turnover
2012/13

The value of Service sales turnover for the last financial year, as measured against the sales target (together with comparison to the same period last year) is outlined below.

- 4.1.2 Final turnover for the year which, whilst being slightly below target, is considered to be a positive outcome during a period of transition for the Service, with a satisfying growth of almost 14% being achieved from the other authority/public body customer sector.
- 4.1.3 Day to day levels of trading were maintained generally, with the impact of reduced 'capital' project user requirements together with the effect of schools closures (for up to five days) upon the demand for consumable products last winter, due to the severe weather, being contributory factors to the overall trading performance.
- 4.1.4 As reflected in the report on the Statement of Accounts for 2012/13, the organisation attained a trading surplus during the year to support the financial objectives of the JSS.

Table 1: Turnover 2012/13 (Order book)

	Actual Full Year 2011/12	Target Full Year 2012/13	Actual Full Year 2012/13	% Actual to target
	£,000	£,000	£,000	
Catalogue Stores	4,216	4,380	4,312	-1.58%
Catalogue Direct	1,984*	1,890	1,857	-1.78%
Totals	6200	6,270	6,169	-1.64%

*Includes major school project, as below.

Table 2: Turnover (Order book) by Customer Area 2012/13

Year	Bridgend	Caerphilly	Merthyr Tydfil	Rhondda Cynon Taf
	£,000	£,000	£,000	£,000
2012/13	1205	1444	445	2244
2011/12	1442*	1415	418	2199

Year	Cardiff	Neath-Port Talbot	Swansea	Vale of Glamorgan	Other
	£,000	£,000	£,000	£,000	£,000
2012/13	225	88	127	120	263
2011/12	206	96	126	94	204

*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.

Service Turnover - April/May 2013/14

The first two-month trading period has provided a positive outcome with growth to target, reflecting the agreed pricing strategy, being achieved as summarised below. The June/July months are, historically, the most demanding, primarily from the schools sector with approximately 25% of total catalogue-stores turnover for the year being realised during the period.

Table 3: Turnover to 31 May 2013 (Order book)

	Actual April-May 2012/13	Target April- May 2013/14	Actual April-May 2013/14	% Actual to target
	£,000	£,000	£,000	
Catalogue Stores	723	683	729	+6.31%
Catalogue Direct	217	205	255	+19.61%
Totals	940	888	984	+9.76%

Table 4: Turnover (Order book) – Full Year Comparison

	Actual 2012/13	Full-Year Target 2013/14	Actual (to Week 09 2013/14	Variance	% of Target to be achieved in remaining 43 wks
	£,000	£,000	£,000	£'000	
Total	6184	6145	984	5161	84.3%

Table 5: Turnover (Order book) by Customer Area (to May 2013)

Year	Bridgend £,000	Caerphilly £,000	Merthyr Tydfil £,000	Rhondda Cynon Taf £,000
2013/14	194	250	86	337
2012/13	188	226	68	331

Year	Cardiff £,000	Neath-Port Talbot £,000	Swansea £,000	Vale of Glamorgan £,000	Other £,000
2013/14	34	16	19	20	27
2012/13	37	16	22	23	28

Table 6 – Category Turnover - 2012/13

Product Category	2010/11 £'000	2011/12 £'000	2012/13 £'000	%Variation (to previous year)	Income Recovery 2012/13 £'000
Art & Craft	578	615	619	+0.6%	147
Audio Visual	72	74	21	-71.6%	2
Books & Paper	857	957	945	-1.2%	208
Canteen & Cutlery	69	62	60	-4.5%	15
Carpets, Curtains & Textiles	290	293	230	-21.8%	25
Computer Supplies	15	15	18	+23.9%	4
Schools Early Years	183	206	265	+28.7%	43
Electrical	183	157	169	+6.0%	34
First Aid Equipment	124	150	147	-2.5%	61
Janitorial	1348	1368	1472	+7.6%	355
Protective Clothing	92	99	106	+7.0%	35
Residential Furniture	156	42	105	+147.8%	12
Schools/Office Furniture	732	1095*	891	-18.6%	98
Sports Supplies	103	110	101	-7.6%	21
Stationery & Office Equipment	862	948	1020	+7.6%	255
Total	5664	6191	6169	-0.4%	1,315

*Major 'new build' schools project during 2011/12.

4.1.2 **Summary Financial Position at 31st May 2013.**

4.1.2.1 A summary of revenue budget expenditure/income for the financial year to 31 May 2013 is provided below for information.

Table 7- Comparison of budget against projected spend at 31st May 2013

Expenditure Group	Budget 2013/14	Adjusted Actual to 31 May 2013	Projected Outturn 2013/14	Projected Over/(Under) Spend 2013/14
	£,000	£,000	£,000	£,000
Employees	813	123	813	0
Supplies/Services	145	24	145	0
Transport	110	20	110	0
Premises	94	16	94	0
Third Party Payments	9	2	9	
Finance/Support Services	39	6	39	0
Total Expenditure	1210	191	1210	0
Trading	1,223	225	1,223	0
Non Trading	82	17	82	0
Total Net Income	1305	242	1305	0
Deficit/(Surplus)	(95)	(51)	(95)	0

4.1.2.2 Expenditure during the first two months is as anticipated, reflecting an annual budgetary spend profile of both initial, singular, expenditure commitments at the beginning of the year or where increased expenditure will be incurred in later months, specifically the employee budget.

4.1.2.3 The accumulated reserves of the Joint Service were £830k at the 31st March 2013, which are projected to increase to £925k gross at the 31st March 2014, reflecting expected trading performance during the year.

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 May, together with the final outcomes for 2012/13 for information.

Table 8 - Service Performance Indicators 2013/14

Performance Indicator	Service Target	2012/13 (Full Year)	2013/14 (To 31 May)
Product Availability Average stock level available for customers on first request	96%	96.82%	97.68%
Stockholding Value Average stock value retained during the trading year.	8 weeks stock equivalent	9.1 weeks (£557k)	9.8 weeks (£623k)
Debt Management Owed debt to the JSS during trading year	Not greater than 5.5 weeks credit income	3.8 weeks (Average £455k)	4.6 weeks (Average £488k)
Creditor Payments Supplier payments within the legislative payment period	97.5%	99.13%	99.61%

4.1.4 **Absence Monitoring**

4.1.4.1 A summary of sickness absence for the 2012/13 is provided below for information.

Table 9 - Absence Monitoring 2012/13

No. of days absence	Average no. of days per person
445 (352)	14.5 (5.4 excl. long-term)
<i>(Previous year in brackets.)</i>	

4.1.4.2 The absence level includes nine long-term absences (more than 15 days continuous) totalling 302 days within the overall absence of 445 days and compares to 352 days for the previous year. Three of the officers have left the Service during the year, with the other officers having returned to work, with one individual having further recurring absence.

4.1.4.3 At the last meeting, Members requested analysis of absence relevant to general post categories to be provided and a summary is presented below for 2012/13. for information

Table 10- Staff Group Absence Analysis

Staff Group	No. of Staff	No. of Absence Days	No. of Staff Sickness Absence	Average No. of Days Absence
Management	3	2	1	0.66
Administrative/Professional	16	134	11	8.4
Warehouse	8	51	7	6.4
Transport	4.7	213	4.7	45.3
Other	1	45	1	45

4.1.4.4 A summary of the sickness absence for the current financial year to date is provided below.

Table 11 – Absence Monitoring April/May 2013/14

No. of Days Absence	Average no. of days per person
88 (55)	2.8 (0.4 excl. long-term)
<i>(Previous year in brackets)</i>	

4.1.4.5 The current year absence includes two long-term absentees, totalling 76 days within the overall absence of 88 days during the first two month period, with both individuals' absence being managed in accordance with the corporate policy guidelines.

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 web-site, the national public sector eProcurement Service (xchangewales) portal and the enhancement of the Service back-office IT system.
- 4.1.5.3 Periodic reports are presented to the Joint Committee appraising Members of the progress of the e-supply objective and a summary of the current position for 2012/13 is provided below together with details of the previous year for comparison.
- 4.1.5.4 As is indicated, the proportion of e-sales transactions has increased from 32.4% (2011/12) to 42% (2012/13) of total transactions received from customers.

Table 12 - Sales Order Analysis

Transaction Medium	2012/13	2011/12
eProcurement Service (xcw)	32.3%	27.0%
JSS Web Site	9.7%	5.4%
Other – fax, mail, telephone	58.0%	67.6%

- 4.1.5.5 eProcurement Service (ePS) Portal
The national ePS portal, formerly xchangewales, 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 ePS users from primarily the South Wales area.

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

Table 13– xchangewales User Analysis - 2012/13

BCBC	CCBC	MTCBC	RCTCBC	Cardiff	Newport	Swansea	Vof G
10.3%	39.9%	9.5%	34.5%	0.1%	0.1%	3.6%	2.0%

- 4.1.5.6 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.
- 4.1.5.7 Turnover usage via the web site has increased steadily during 2012/13, as indicated above, with analysis of the web site users being provided below.

Table 14 – Web Site User Analysis – 2012/13

BCBC	CCBC	MTCBC	RCTCBC	Cardiff	N/PT	Swansea	Vof G	Other
26.9%	16.7%	7.9%	38.0%	1.6%	3.3%	2.4%	1.6%	1.6%

4.1.5.8 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 58% of transactions during 2012/13.

4.1.5.9 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 accounted for 2.2% of the overall value of collected payments/transactions during 2012/13.

Table 15 – Purchase Card Usage Analysis – 2012/13

BCBC	CCBC	MTCBC	RCTCBC	Other
0.1%	Nil	Nil	62.5%	37.4%

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

4.1.6 **Officers Authorised to enter into Contracts**

4.1.6.1 The Joint Committee annually reviews and authorises the posts within the Service structure which are delegated with authority to enter into contracts for the purchase of goods and services, subject to the corporate regulations of the host authority.

4.1.6.2 The operational practice, effectively, reflects the day to day purchase ordering of goods for which the majority are included in formal framework contract arrangements.

4.1.6.3 Service requirements have been reviewed and the structure of posts and designated financial levels of responsibility is proposed as below.

Post Designation	Proposed Delegation
JSS Manager	All Purposes - £100,000
Materials & Sourcing Manager (Service Deputy in absence of JSS Manager)	All Purposes - £100,000
Business Operations Manager	All Purposes - £50,000
Senior Buyer	Group Purposes - £20,000
Buyer	Group Purposes - £10,000
Purchasing Assistant	Group Purposes - £2,500
Stores – Senior Assistant	Group Purposes - £2,500

4.1.6.4 The Joint Committee is requested to approve the schedule of designated posts

4.1.7 **Joint Committee Meetings Schedule 2013/14**

4.1.7.1 A proposed schedule of meetings for the Service for 2013/14 is provided below for information of Members.

4.1.7.2 The programme is structured to include key-dates for the presentation of financial reports to the Joint Committee (Statement of Accounts).

Meeting Date	Location
26 September 2013	Caerphilly
30 January 2014	Rhondda Cynon Taff
24 April 2014	Bridgend
26 June 2014	Merthyr Tydfil

4.2 **Development Action Plan – Implementation Progress**

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 additional commentary provided below. The Action Plan provides for twelve core areas of development and change.

4.2.1 **Operational Processes Review - Transport**

4.2.1.1 Since the last meeting, JSS officers have proceeded in two directions in pursuing efficiency improvements from within the transport function.

4.2.1.2 The scoping and preparation of the documentation to provide a tender situation to assess the operational and financial opportunities arising from contracting with a distribution-partner for part of the transport service has been undertaken.

4.2.1.3 The JSS has been involved in discussions with the Government Procurement Service, which has national/regional framework contract arrangements in place for parcel distribution, which includes contractors with local distribution centres in South Wales and, subject to the imminent conclusion of these discussions, a 'further-competition' tender will be undertaken during July, to complete in August, with a planned 1 October contract-service commencement date..

4.2.1.4 In conjunction with the above, JSS Officers, together with BCBC ICT Officers, have been assessing the possible in-house development of a transport routing software system to support the overall management of the distribution service and avoiding the necessity to invest in a potentially expensive proprietary software package.

4.2.1.5 A progress update will be presented to Members at the meeting.

4.2.2 **Operational Processes Review – Warehouse and Storage**

4.2.2.1 The report to the last meeting detailed the expectations arising from changes to operational practice being introduced to support a reduction to the volume of resources used within the warehouse as a consequence of improvements to designated work areas.

4.2.2.2 The early encouraging outcome of the changes has continued over the last months, specifically the withdrawal of an average sixty hours monthly support resource to the warehouse function (following the early retirement of an officer).

4.2.2.3 The modernisation of the warehouse operation, to include the key objective of introducing e-based practices to replace the existing paper-based procedures, is an outstanding target of the Action Plan for completion during the current year.

4.2.3 **Modernisation Programme – IT System**

4.2.3.1 Since the last meeting, the first phase of the Modernisation/IT programme has progressed, with the completion and roll-out of some of the applications together with the continuing development of the remaining projects.

4.2.3.2 The first application, Automail, which provides a fully automated electronic communications transfer of core financial and purchasing transaction documents has been successfully commissioned and progressively introduced. The application provides an e-purchase order function together with an e-sales invoice facility. Both developments are operational, with almost 75% of non-xchangewales service customers now receiving e-sales invoices.

4.2.3.3 The other phase-1 IT development applications are nearing completion, with joint working between the Joint Service and system supplier, specifically, Contact Management and Automatic Stock Purchase Ordering, with the Purchase Card Posting now being fully operational.

4.2.3.4 The development of the final phase-1 application, the SIMS/Web alignment has a development cost of 7k-£10k and with an estimated efficiency saving of £3,600 per annum. The development has not been commissioned at this time pending the reassessment of projected schools utilisation of the facility together with the review of the future web site provider for the JSS.

4.2.4 **Constitution – Joint Agreement**

4.2.4.1 The planned redrafting of the Joint Agreement commenced with the resolve of employment issues relating to former seconded staff, requiring a formal constitution process which has now been completed.

4.2.4.2 The construction of a new constitution is being undertaken by BCBC Legal Officers and it is anticipated will be finalised over the next couple of months, as outlined in the revised timetable included in the attached appendix.

4.2.4.3 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.

4.2.4.4 Progress reports will be presented to future meetings of the Joint Committee.

4.2.5 **Catalogue Product Range Review**

4.2.5.1 The preliminary review of the catalogue-stores product range commenced last year, with the enhanced assessment and deletion of

obsolete and low turnover products sales lines as determined by previous JSS guidelines.

- 4.2.5.2 The review process, which in part reflected a pragmatic approach as a consequence of the 2013/14 catalogue production timeframe, culminated in the removal of almost a hundred catalogue stock-held lines.
- 4.2.5.3 The review, which is in addition to the annual assessment which is undertaken, is continuing with an expectation of a further 100-150 lines being withdrawn from the warehouse range, subject to the business case assessment, with the projected completion timetable included in the appendix attached.
- 4.2.5.4 It would need to be noted that the construction of the future catalogue, and stock-held, product content will be defined by the ongoing business review and future business model service strategy to reflect the impact or otherwise of the National Procurement Service.
- 4.2.5.5 Similarly, the current JSS officer considerations of the potential impact of the competition-led development and availability of budget product ranges may also impact upon the catalogue-stores range both during the present and future years.

4.2.6 **National Procurement Service**

- 4.2.6.1 The National Procurement Service is progressing via a newly established Implementation Board, which has Local Government representation, through the Head of Procurement in Cardiff
- 4.2.6.2 A recruitment process has commenced with key posts advertised, although it is unlikely that the unit will be fully staffed until September 2013.
- 4.2.6.3 Whilst the indicative category areas have been defined, it still remains unclear regarding whether some category areas will be split to reflect operational need.
- 4.2.6.4 It is clear from discussions within the JSS Officer Group, that whilst there is significant overlap with the range of products offered by the Service, there appears significant support to use the JSS rather than arrangements which will be put in place by the NPS, both for schools and corporate requirements. Further update reports will be presented to the Joint Committee.

5 Effect upon Policy Framework and Procedure Rules

5.1 None.

6 Equality Impact Assessment

6.1 There are no equality implications. .

7 Financial Implications

7.1 These are reflected in the body of the report.

8 Recommendation

8.1 It is recommended that Members:

- note the content of the report;
- approve the schedule of JSS officers authorised to enter into contracts as outlined at paragraph 4.1.6;
- approve the proposed schedule of meetings outlined at paragraph 4.1.7.

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Background Documents:

None.

Appendix

County Borough Supplies

Development Action Plan

Action	Responsible Officer (s)	Start Date	Completion Date	Progress	Dependencies/Comments
Organisation Structure				Completed	
Transport					
Assess, Review and Trialling				Completed	
Implementation	PH	Mar 13	Aug 13	In process	Tender Outcome
Warehouse Storage/ In-house Operations					
Assess, Review and Trialling				Completed	
Implementation	PH	Feb 13	July 13	In process	Outcome of Review/Resources Report
IT Systems Review					
Phase 1 - Assess, Review and Implementation	PH	Aug 12	Aug 13	In Process - Part Completed	
Phase 2 – Warehouse & Distribution	PH/SE/WW	August 13	Dec 13	Deferred	Outcome of Review/Resources Report & further consideration of Supplies Trading Partner future (Cardiff CC)
Marketing Strategy				Completed	

Constitution					
Finalise planned changes	BCBC (Legal)	June12	Aug 13	In process	Extended completion period
Produce draft deed of variation	BCBC (Legal)	June12	Aug 13		
Obtain agreement from Legal Officers	BCBC (Legal)	Aug 12	Nov 13		Final determination of content
Agreement of Authorities	Officer Group	Nov 13	Jan 14		Council Business Programmes
Report to Joint Committee	Officer Group	April 14	April 14		Committee Programme
Stock Range					
Determine future stock range	CBS	Sept 12	Oct 12	Completed	Initial range determined to support 2013/14 catalogue production schedule. NPS implications.
a) Slow-moving (Phase 1)	CBS	Oct 12	Oct 12	Completed	
b) Slow-moving (Phase 2)	CBS	Aug 13	Oct 13	As Action Plan	
c) Standardisation	CBS	Oct 12	Dec 12	Deferred (Nov 13)	NPS Implications
d) Additional (Value-brand)	CBS	May 13	July 13	In process	
Assess alternative supply arrangements/practices	CBS	Oct 13	Nov 13	Deferred (Jan-March)	
Disposal of surplus products		Jan14	Mar14	Deferred	
Implementation	PH	Apr 14	Apr 14	Deferred	Catalogue Publication
Business Plan				Completed	Implementing
E-Tendering		Jan 13	Mar 15	Completed	Phased implementation
Staff Development				Completed	Continuous Programme

National Procurement Service					
Assess impact of Review	Officers	Sept 12	Dec 13	In process	NPS Outcome
Determine way forward	Officers	Oct 12	Dec 13	In process	
Implementation	PH	Apr 14			
Procurement Strategy Review				Completed	

Updated pjh 010613 (Update 8)