

**BRIDGEND COUNTY BOROUGH COUNCIL**

**CATALOGUE SUPPLIES SERVICE JOINT COMMITTEE**

**30<sup>th</sup> JANUARY 2014**

**REPORT OF THE ASSISTANT CHIEF EXECUTIVE – LEGAL AND REGULATORY SERVICES**

**SERVICE TRADING AND OPERATIONAL PERFORMANCE**

**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.

**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.

**4. Current Position**

**4.1 Performance Review: April-December 13/14**

**4.1.1 Service Turnover**

2013/14 1<sup>st</sup> April – 31<sup>st</sup> December (Week 39-40)

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 period to the end of December has been positive with overall sales achieving above target 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)**

	<b>Actual April-Dec 2013/14</b>	<b>Target April-Dec 2013/14</b>	<b>Actual April-Dec 2012/13</b>	<b>% Actual to target</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	
Catalogue Stores	3,257	3,296	3,302	-1.18%
Catalogue Direct	1,362	1,279	1,269	+6.49%
<b>Totals</b>	<b>4,619</b>	<b>4,575</b>	<b>4,571</b>	<b>0.96%</b>

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

	<b>Actual 2012/13</b>	<b>Full-Year Target 2013/14</b>	<b>Actual to August 2013/14</b>	<b>Variance</b>	<b>% of Target to be achieved in remaining 12 wks</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£'000</b>	
Total	6,169	6,145	4,619	1,526	25%

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

<b>Year</b>	<b>Bridgend</b>	<b>Caerphilly</b>	<b>Merthyr Tydfil</b>	<b>Rhondda Cynon Taf</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2013/14	899	1,130	332	1,587
2012/13	878	1,072	314	1,661

<b>Year</b>	<b>Cardiff</b>	<b>Neath-Port Talbot</b>	<b>Swansea</b>	<b>Vale of Glamorgan</b>	<b>Other</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
2013/14	229	73	103	106	160
2012/13	177	69	104	95	201

4.1.1.1 Day to day levels of trading have been maintained to target, with the effect of additional project work for schools within the Rhondda Cynon Taf area and also an independent customer group ('Other') during last year being offset by further project work undertaken by the majority of authorities and increased business in the Cardiff educational sector.

4.1.1.2 The effect of the changed catalogue price strategy this year, with a reduction in prices within designated product categories, has also contributed to the limited year-on-year value turnover growth to date but has been supported by an increase in actual quantities turnover.

#### **4.1.2 Summary Financial Position at 31st December 2013.**

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

**Table 4- Comparison of budget against projected spend at 31st Dec 2013**

<b>Expenditure Group</b>	<b>Budget 2013/14</b>	<b>Adjusted Actual to 31 Dec 2013</b>	<b>Projected Outturn 2013/14</b>	<b>Projected Over/(Under) Spend 2013/14</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Employees	813	595	787	(26)
Premises	94	71	95	1
Transport	110	92	110	0
Supplies & Services	145	111	145	0
Third Party Payments	9	7	9	0
Finance/Support Services	39	38	51	12
<b>Total Expenditure</b>	<b>1210</b>	<b>914</b>	<b>1197</b>	<b>(13)</b>
Trading	1,200	952	1230	(30)
Non Trading	105	75	105	0
<b>Total Net Income*</b>	<b>1305</b>	<b>1027</b>	<b>1335</b>	<b>(30)</b>
<b>Deficit/(Surplus)</b>	<b>(95)</b>	<b>(113)</b>	<b>(138)</b>	<b>(43)</b>

#### **4.1.2.2 Reasons for variation between budget and expenditure/income**

- An under-spend on Employees (£26k) as a consequence of three vacant posts and reduced working contract hours of two staff.
- A projected over-spend on Finance/Support Service (£12k) costs as a consequence of increased central finance recharges.
- A projected increase in trading income (£30k) reflecting the expected continuation of forecasted product price margins and turnover.

#### **4.1.3 Service Performance Indicators**

4.1.3.1 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 31st December 2013, together with the final outcomes for 2012/13 for comparison.

- 4.1.3.2 An additional performance indicator has been requested by Officers detailing the breakdown of order value by band.

**Table 5 - Service Performance Indicators for 2013/14**

<b>Performance Indicator</b>	<b>Service Target</b>	<b>2012/13 (Full Year)</b>	<b>2013/14 (To 31 Dec)</b>
<b>Product Availability</b> Average stock level available for customers on first request	96%	96.82%	96.90%
<b>Stockholding Value</b> Average stock value retained during the trading year.	8 weeks stock equivalent	8.5 weeks (£546k)	9.0 weeks (£573k)
<b>Debt Management</b> Owed debt to the JSS during trading year	Not greater than 5.5 weeks credit income	3.8 weeks (Average £455k)	4.4 weeks (Average £506k)

**Table 6 – Order Breakdown by Value Banding**

<b>Row Labels</b>		<b>£0 - £25</b>	<b>£26 - £50</b>	<b>£51 - £100</b>	<b>£100 plus</b>	<b>Grand Total</b>
Corporate	No	3,541	2,096	2,350	3,830	11,817
	%	29.97	17.74	19.89	32.40	
Education	No	3,434	2,893	3,588	7,553	17,468
	%	19.66	16.56	20.54	43.24	
Other	No	458	296	266	282	1,302
	%	35.18	22.73	20.43	21.66	
<b>Grand Total</b>	<b>No</b>	<b>7,433</b>	<b>5,285</b>	<b>6,204</b>	<b>11,665</b>	<b>30,587</b>
	<b>%</b>	<b>24.30</b>	<b>17.28</b>	<b>20.28</b>	<b>38.14</b>	

#### **4.1.4 E-enablement Monitoring**

- 4.1.4.1 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.

- 4.1.4.2 The key components in the development are the JSS interactive website, the national public sector eProcurement Service (ePs) portal and the enhancement of the Service back-office IT system.

**Table 7 – Sales Order Analysis**

<b>Transaction Medium</b>	<b>2013/14 (Apr-Dec)</b>	<b>2012/13 (Full Year)</b>
eProcurement Service (ePs)	29.5%	32.3%
JSS Web Site	11.4%	9.7%
Other – e-mail, fax, mail, telephone	59.1%	58.0%

4.1.4.3 eProcurement Service (ePs) Portal

The national ePs 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 ePs users primarily from the South Wales area.

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

**Table 8 – ePs User Analysis April – Dec 2013**

<b>BCBC</b>	<b>CCBC</b>	<b>MTCBC</b>	<b>RCTCBC</b>	<b>Cardiff</b>	<b>Newport</b>	<b>Swansea</b>	<b>V of G</b>
8.4%	28.6%	9.0%	46.2%	0.1%	0.1%	4.2%	3.4%

4.1.4.4 JSS Web Site

The JSS web site provides an interactive, real-time, catalogue product ordering / card payment facility and content information resource available to authorised customers, with the prime target group for the e-trading function being the educational sector and independent customers

4.1.4.5 Turnover usage via the web site has increased steadily during 2013/14, as indicated above, with analysis of the web-site users provided below.

**Table 9 – Web site User Analysis April – Dec 2013**

<b>BCBC</b>	<b>CCBC</b>	<b>MTCBC</b>	<b>RCTCBC</b>	<b>Cardiff</b>	<b>NPT</b>	<b>Swansea</b>	<b>V of G</b>	<b>Other</b>
22.5%	16.8%	8.0%	39.6%	2.4%	3.9%	2.1%	2.8%	1.9%

4.1.4.6 Purchase Card Transactions

The JSS provides a facility for payment by Purchase Card via both the on-line web-site and by direct contact with County Borough Supplies (CBS).

4.1.4.7 Payment by purchasing card accounted for 2.6% of overall payments during the 2013/14 period to date compared to 2.2% for the full 12/13 financial year.

**Table 10 – Purchase Card Usage Analysis April – Dec 13**

<b>BCBC</b>	<b>CCBC</b>	<b>MTCBC</b>	<b>RCTCBC</b>	<b>Other</b>
5.7%	1.8%	Nil	91.2%	1.3%

**4.1.5 Absence Monitoring  
April/December – 2013/14**

4.1.5.1 A summary of sickness absence for the current year to 31st December is detailed below for information.

**Table 11 - Absence Monitoring to 31 December 2013**

<b>No. of days absence</b>	<b>Average no. of days per person</b>
380 (292)	12.26 (2.5 excl. long-term)
<i>(Previous year in brackets.)</i>	

4.1.5.2 The absence statistics include four long-term absences totalling 311.5 days within the overall absence of 380 days and compares to 292 days for the same period last year. One of the officers has left the Service, with the other three officers all returned to work. All absences have been continuously monitored in conjunction with the Authority's Human Resources Department and Occupational Health Service.

4.1.5.3 Financial information is 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 overall cost of sickness absence above, at actual salaries/agency resource rates, is £39,322.

4.1.5.4 A summary of the analysis of absence relevant to general post categories is provided below.

**Table 12 - Staff Group Absence Analysis (April-December)**

<b>Staff Group</b>	<b>No. of Staff</b>	<b>No. of Absence Days</b>	<b>No. of Staff Sickness Absence</b>	<b>Average No. of Days Absence</b>
Management	3	2	1	0.6
Administrative/Professional	16	163	12	10.2
Warehouse	8	88.5	4	11.2
Transport	4	126.5	4	31.6

**4.2 Proposed Revenue Budget 2014-15**

4.2.1 A specified objective of the Joint Service is to attain an annual income surplus to facilitate both future reinvestment in the Service and also to provide contingency funding. The total reserve at the 31<sup>st</sup> March 2013

was £830,000 with an expectation of the reserve increasing to £968,000 at the 31<sup>st</sup> March 2014 reflecting the current trading projection.

- 4.2.2 The income surplus target included in the budget for 2014-15 has been constructed to incorporate the required £95,000 trading return based on an inflationary increase in trading only and slight growth in catalogue sponsorship, increasing the accumulated surplus to £1,048,000 at the 31<sup>st</sup> March 2015 (after modernisation investment paragraph 4.2.6 refers).
- 4.2.2 The budget has been constructed without any further major reduction in catalogue pricing after achieving last year's objectives of price competitiveness and further customer cost efficiencies. Therefore, pricing has moved in line with inflationary increases only.
- 4.2.3 The proposed budget includes inflationary increase on expenditure in relation to employee, contractual and other commitments.
- 4.2.3 The Employees estimate also includes provision for pay negotiations associated with the NJC pay claim at 1% and an additional provision for superannuation contributions for two vacant posts. This is offset by £5,000 for the ending of Job Evaluation pay protection post August 2014.
- 4.2.4 The increase in Premises costs arises from an expected reduction in occupation of the Supplies building by other BCBC organisations.
- 4.2.5 Third Party Payments growth reflects primarily the forthcoming cessation of the JSS existing catalogue content management system and website suppliers due to discontinuation of the product and the subsequent move to new suppliers and improved product.
- 4.2.6 In addition, a one off cost of £15,000 has not been factored into the proposed budget for data migration from the existing content management system to its replacement. This is due to be met from the existing modernisation reserves as part of the development action plan.
- 4.2.7 Departmental Administrative costs are forecast to grow by £11,000 during the 2014-15 period due to an increase in BCBC ICT recharges which had not been previously charged due to the JSS existing ICT hardware replacement exercise in 2012/13. The probability of an increased cost was reported in the September 2013 Statement of Accounts when it was noted that the support service budget would need to be reviewed to reflect the impact of the change in recharging methodology.
- 4.2.8 The proposed provisional budget for 2014/15, as Table 13 below, has been prepared to recover all operating costs together with an income surplus of £95,000.

**Table 13 – Proposed Revenue Budget 2014-15**

Category	Budget 2013/14	Other Adjustments 2013/14	Price & Pay Inflation	Growth	Reduction	Budget 2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	813		7	6	-5	821
Premises	94		2	16		112
Transport	110		2	1		113
Supplies & Services	145		3		-2	146
Third Party Payments	9			16		25
Support Services	39		1	11		51
<b>Gross Expenditure</b>	<b>1,210</b>		<b>15</b>	<b>50</b>	<b>-7</b>	<b>1,268</b>
<b>Income</b>	<b>(1,305)</b>	<b>(33)</b>	<b>(25)</b>			<b>(1,363)</b>
Surplus(-)/Deficit	<b>(95)</b>					<b>(95)</b>
Transfer to/from (-) Reserve	<b>95</b>					<b>95</b>

4.2.9. The budget is recommended for acceptance by the Joint Committee.

### **4.3 Internal Audit Recommendations**

4.3.1 As reported at the last committee, an audit review of the JSS concluded that 'the effectiveness of the internal control environment is considered to be sound and therefore substantial assurance can be placed upon the management of risks'.

4.3.2 Minor recommendations of the audit report in three areas where improvements could be made, are now being undertaken on a consistent basis.

**Table 14 – Audit Recommendations & Actions**

Possible Risk	Action
Debt collection is ineffective resulting in cash flow issues	Previous long term absence of a member of Sales Leger staff resulted in resource implications relating to inefficient debt management. The long term absence ended October and priority is being given to the outstanding debt.
Fictitious & fraudulent	All credit notes over £1000 are reviewed by the Business



credit notes issued.	Operations Manager and a sample of other credit notes is reviewed on a monthly basis.
Possible fraudulent stock adjustments	Stock adjustment forms are authorised by the Materials & Sourcing Manager demonstrating segregation of duties.

#### **4.4 Debt Management**

- 4.4.1 Further information relating to the JSS outstanding debt has been requested.
- 4.4.2 As referred to in the above Audit Recommendations & Actions, debt management has been effected by the long term absence, phased return to work and subsequent accrued holiday leave entitlement of an officer in the Sales Ledger department.
- 4.4.3 Since the return to normal working practises, priority has been given to targeting outstanding debt through a combination of e-mail and telephone communication and also the regular issue of monthly statements.
- 4.4.4 As a consequence, outstanding debt is expected to decrease to targeted levels within the following weeks.
- 4.4.5 JSS Officers are also in discussion with BCBC Internal Audit regarding service targets being reduced to 30 days instead of the current 'not greater than 5.5 weeks target'.
- 4.4.6 Outstanding debt over 120 days currently forms 7% of total outstanding debt as at 21<sup>st</sup> January 2014.

**Table 15 – Outstanding Debt Breakdown Over 120 Days**

<b>Corporate</b>	<b>Education</b>	<b>Outside Authority</b>	<b>Sponsorship</b>
£9,588 (1.8%)*	£18,811 (3.7%)*	£0 (0.0%)*	£7,5340 (1.48%)*

\* Percentage of overall current outstanding debt at 21<sup>st</sup> Jan 2014 (£508,979)

#### **4.5 Electronic Invoice Transmission**

- 4.5.1 One of the JSS Business Development plan objectives is the assessment, review and implementation of I.T modernisation including a fully automated electronic transfer of customer invoice transactions not currently utilising the ePs portal.
- 4.5.2 Further information relating to the breakdown of the number of electronically transmitted invoices has been requested.

**Table 16 – Non Corporate Invoice Transmission Apr-Dec 13**

<b>Total Non-Corporate Invoices Raised</b>	<b>Invoices E-mailed</b>
22,487	20,340 (90.5%)

**4.6 Stockholding**

- 4.6.1 Further information relating to the JSS stock holding breakdown and policies has been requested.
- 4.6.2 Since the last meeting, Officers of the JSS have undertaken an exercise to reduce stock holding across all product areas whilst maintaining the Stock Availability performance indicator target.
- 4.6.3 This has been achieved by a reduction in safety stock levels held by the JSS and careful day to day monitoring of existing stock replenishment requirements.
- 4.6.3 Stock holding as at 31<sup>st</sup> December 2013 was £399,000 compared to £443,000 at the same date in 2012.
- 4.6.4 A breakdown of current product area stockholding values is presented below.

**Table 17 – Stock Holding Breakdown Dec 31<sup>st</sup> 2013**

<b>Product Class</b>	<b>Stockholding Value £000's</b>
Art & Craft	60
Books & Paper	99
Canteen & Cutlery	6
Computer Equipment & Consumables	1
Electrical Goods & Equipment	9
Early Years	11
First Aid Equipment	8
Janitorial	98
Protective Clothing	5
Sports Clothing & Equipment	8
Stationery & Office Machinery	93

**4.7 Cardiff County Supplies**

- 4.7.1 The Joint Committee were informed at the last meeting that further information was being awaited from Cardiff on the outcome of their supplies operation.
- 4.7.2 Cardiff announced in November their decision to cease operation of the business on 31<sup>st</sup> March 2014.

4.7.3. Contact with officers from Cardiff has been ongoing since this period to establish a closing timetable and potential issues for the JSS and also explore possible supply arrangements by the JSS to the authority.

4.7.4. Presently, alternative supply arrangements for three main product areas are being investigated by Cardiff.

4.7.5 Paper & Stationery

Indications are that Cardiff wish to utilise the Welsh Government's Value Wales Stationery contract and are currently awaiting the issue of the new contract in January. There may be possible scope for JSS supply of paper products due to the highly competitive pricing against the contract.

4.7.6 Janitorial

Due to the lack of a full required product range that can be offered by individual alternative suppliers, Cardiff intends to implement a pilot scheme and issue a mini-tender based on their janitorial requirements, of which the JSS already fully stock. The tender is due for completion, evaluation and implementation by Cardiff by the 1<sup>st</sup> February 2014.

4.7.7 Educational

Intention to issue a mini-framework based on the existing WPC Educational Aids contract and utilising the existing contracted suppliers (The Consortium and County Borough Supplies) as a basis for the tender. The JSS has already seen a considerable increase in spend from the educational sector in Cardiff since the closure announcement was made.

**4.8 Joint Committee Meetings Schedule – Revised**

4.8.1 Since the alignment of the JSS to BCBC, the Joint Committee has previously highlighted whether there is a requirement for a quarterly reporting structure.

4.8.2 A revised proposed schedule of meetings for the next financial year, whilst maintaining key dates for the presentation of financial reports to the Joint Committee, is provided below.

**Table 18 – Proposed Revised Meeting Schedule**

<b>Meeting Date</b>	<b>Location</b>
26 June 2014	Bridgend
25 September 2014	Merthyr Tydfil
29 January 2015	Caerphilly

4.8.3 The revised schedule is recommended for acceptance by 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**

It is recommended Members note the content of the report and agree the recommendations of paragraph 4.2.9 of the report, namely the proposed budget for 2014/15, and paragraph 4.8.3, to revise the schedule of Joint Committee Meetings.

**Andrew Jolley,**  
**Assistant Chief Executive – Legal and Regulatory Services**

**Contact Officer:** Steve Evans,  
**Telephone:** (01656) 664552  
**E-mail:** Steve.Evans@bridgend.gov.uk

**Background Documents:**  
None.