



POLICY AND RESOURCES SCRUTINY COMMITTEE – 20TH APRIL 2010

SUBJECT: COUNTY BOROUGH SUPPLIES – JOINT ARRANGEMENT

REPORT BY: DIRECTOR OF CORPORATE SERVICES

1. PURPOSE OF REPORT

1.1 To advise Scrutiny of the current trading situation of County Borough Supplies.

2. BACKGROUND

2.1 Caerphilly County Borough Council has formed part of the County Borough Supplies (Bridgend) Joint Committee since 1996. At that time County Borough Supplies was one of two Trading Organisations, which provided a service mainly to schools within the Caerphilly County Borough.

2.2 Gwent Central Supplies organisation ceased trading from 31 March 2006. Since this time the Authority has transferred the former Gwent business (mainly schools) to County Borough Supplies.

2.3 County Borough Supplies operates as a trading organisation and has detailed accounts. There are currently four members, which form part of County Borough Supplies Joint Arrangement.

- Bridgend County Borough Council
- Caerphilly County Borough Council
- Merthyr Tydfil County Borough Council
- Rhondda Cynon Taff County Borough Council

All four Authorities formally signed a Joint Agreement in 1996, and as such will inherit any surplus or liability associated with its running or closure should one take place.

3. CURRENT SITUATION

3.1 In January 2008 (minutes confirmed March 2008) the Joint Committee commissioned a review of the County Borough Supplies Organisation. The review was commissioned from APSE.

3.2 The main requirement of the review was to assess the current operations and trading viability of County Borough Supplies to meet future needs and demands of the respective authorities, and to assess if the operation represented a good procurement model in respect of the changing market place within the Welsh Public Sector.

3.3 The review was inconclusive in terms of direction of trade for County Supplies.

- 3.4 The recommendations from the review were to explore options such as:
- Modernise the function to assist the Welsh Purchasing Consortium (WPC) in its expansion and to receive operational funding from WPC.
 - Modernise the function to assist Value Wales in delivering the xchangewales programme to schools
 - Sell to a Commercial Partner
- 3.5 Officers have met with representatives from both WPC and Value Wales to discuss all options. To date no interest or firm commitment has been received which indicates that limited progress can be made in these areas.
- 3.6 Discussions with the commercial market have also drawn a blank. Unfortunately County Borough Supplies has no assets to sell or order commitments; therefore there is no monetary benefit to sell.
- 3.7 Due to the uncertainty on the way forward from the APSE review it was agreed at the Joint Committee that the County Supplies Manager would provide a business case for continuation of service in the form of a five year Business Plan.
- 3.8 As a result the authority has received a challenging five-year business plan, which sets out a continuation strategy for the next five years. (Appendix A) It is a high-risk strategy, which is solely dependant on increased income from authorities such as Swansea and Neath Port Talbot. The risk is high due to the fact that no guarantee of business can be secured.
- 3.9 Both Swansea City Council and Neath Port Talbot County Council will not commit to using the service corporately or within schools. However, they will not object to establishments using County Borough Supplies as a nominated supplier. Both authorities will give no commitment to join the joint committee and therefore the County Borough Supplies Organisation will be a supplier within the stationery portfolio.
- 3.10 The Strategy for maintaining the facility for five years up to 2014/15 will require the Joint Service to undertake Comprehensive Modernisation Programme over a period of 12 months (to September 2010)

4. FINANCIAL POSITION

- 4.1 Despite best efforts to contain and reduce expenditure and grow income, it is apparent that the targeted financial break-even position for continuation is a difficult task. To continue with this trend in 2009/10 and 2010/11 is challenging but achievable.
- 4.2 Over the past twelve months, County Borough Supplies Officers have implemented a strategy of operational cost reduction. As part of the process, staffing structures have been re-organised with a positive impact on staff costs.
- 4.3 The projected expenditure and income for the next five years are detailed within the Business Plan, Appendix A.
- 4.4 The budget review does not reflect any costs associated with the outcomes of the ongoing job evaluation, which is currently being undertaken in line with the process in operation with Bridgend County Borough Council.
- 4.5 The current budget review indicates a £14k under recovery for the first six months to September 2009. This reflects complete transactions only, if we were to consider the value of 'order book' transactions for the same period, the completion of these supply orders would produce an actual £18k surplus for the first six months.

4.6 The outturn projection to March 2010, at this time, is a trading surplus of £12k.

5. STAFFING

5.1 Current staff levels at County Borough Supplies equates to 31 full time and 8 part time members. The majority of these staff (31) are non-seconded and therefore classed as Bridgend County Borough Council employees. Under the current Joint Agreement, Bridgend will have first call on all surpluses if a closure situation did arise in order to off set any staff closure costs.

5.2 Caerphilly County Borough Council currently has 3-seconded staff which would need to be redeployed back into the Organisation should any closure take place.

5.3 The staff currently seconded to County Borough Supplies are:

- Marketing & Catalogue Manager – Salary Costs - £23,135 per annum
- IT & Support Services Manager – Salary Costs - £29,919 per annum
- Customer Services Group Leader – Salary Costs - £20,099 per annum

6. OTHER CONSIDERATIONS

6.1 At this time, budgets are reducing and the main focus for many Organisations is the reduction in stationery and associated costs. Like many organisations, Caerphilly CBC are considering options for reducing expenditure in this area. Therefore, any reduction in catalogue spend will impact the ability of County Borough Supplies to remain financially viable.

6.2 Currently, County Borough Supplies operates out of a warehouse facility at Waterton, Bridgend. The building is old and in need of repair. A recent evaluation concluded that the condition of the building is Category D. Such a categorisation within our own organisation would equate to a building in urgent need of repair.

6.3 The level of repairs and life expectancy of the building is unknown to Officers. If however, the situation of vacating the building did arise, replacement accommodation would be required. It is currently estimated that any replacement accommodation would require additional funding of approximately £60,000 per annum to satisfy leasing costs. This level of investment would seriously impact the financial viability of County Borough Supplies moving forward.

7. CONCLUSION

7.1 There are financial concerns regarding the on going operation of the Joint arrangement. Close financial management is required to ensure existing levels of turnover and customer commitment is achieved.

7.2 All partner authorities within the Joint Committee are supportive of its continuation and neighbouring authorities are happy to support use of the facility but will provide no commitment to the joint arrangement.

7.3 For Caerphilly to withdraw from the current arrangement we would need to give one years written notice by 31 March 2010 and find alternative supply arrangements by 31 March 2011.

7.4 To move away from the joint arrangement at this time would provide no benefit to the authority due to the nature of the business being low value procurement, which can be resource intensive for little cost benefit.

7.5 The risk to the authority at this time is relatively low as long as the trading position does not deteriorate.

8. RECOMMENDATIONS

8.1 It is recommended that Members note the content of the report and the attached five-year business plan.

8.2 The Authority acknowledges the good service and commitment of the Management and Staff at County Borough Supplies, and continues with the joint Committee arrangement on a year-by-year basis. That Officers monitor the financial performance of the organisation on a three-month basis.

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Background Papers:

County Borough Supplies File

County Borough Supplies review - Summary report and full report are available upon request.

Appendices

Appendix A – Joint Supplies Service Business Plan