

ProClass

Improving Collaborative Business Planning



Summary

The Procurement Agency for Essex (PAE) had made great improvements in their expenditure information, but it still had limitations. The difficulty was knowing what had been purchased in a useful management information format, rather than how much was spent with each supplier. What was needed was improved spend information to provide collaboration and comparison opportunities which would lead to greater savings. Mapping expenditure by ProClass has provided that data.

Background

The PAE is the UK's first example of a genuinely cross public sector, self-funding, collaborative procurement organisation. It has fifteen members including Essex County Council, Southend Unitary Authority, Essex Fire and Rescue, and the twelve district councils. Once set up, the PAE soon established itself by delivering early successes with effective procurement of agency staff and advertising. Both led to real cashable gains for all the members, with Basildon benefiting from a return on investment of nearly 10:1 from its first year's subscription.

The Business Challenge

Major procurement exercises cannot be undertaken without access to good and reliable expenditure information. Expenditure analysis specialists SPS carried this out for the PAE from the outset.

Even though the expenditure analysis work to date has been a major step forward, both the PAE and SPS realised that it still had limitations.

“The main issue is the absence of a common procurement classification which means it is difficult to ascertain what is being purchased as opposed to from whom it is being bought.”

Rowena Ward SPS Project Manager.

Three options were discussed: UNSPSC, Thomson and ProClass. Chelmsford examined UNSPSC, which was rejected owing to the large number of headings and its poor fit with local government expenditure. PAE rejected the Thomson classifications as it only provided information on what was the main business of a supplier, not on what was purchased. ProClass seemed to represent the best classification to support the above requirements of the councils. The next step was to test it.

The Business Solution

When the PAE undertook its 2006/07 expenditure analysis it asked SPS and Coding International Ltd (CIL) to look at ways to map their financial data to ProClass to get the most accurate results.

Financial information by subjective (nominal) headings and suppliers was obtained from each PAE member. CIL then mapped a subjective code to a ProClass classification where it could be completed with a high or medium level of confidence.

Subjective heading – Electricity
to
ProClass heading – Utilities/Electricity

Where the subjective spend was significant, but couldn't be mapped confidently (sub-contractors or miscellaneous expenditure, for example) then the subjective/supplier list was used.

This meant that even though a supplier was mapped, it was only mapped within the context of its subjective code, giving a much more accurate result than mapping it directly. For example, office supplies company A to Z Supplies has 45 ProClass classifications within the PAE database. 59% of its total spend was mapped, 40% to Education/Supplies and the rest to a mixture of classifications including ICT, furniture and janitorial supplies.

Although not perfect, as some data was incorrectly recorded in the finance systems, the approach quickly and easily allowed over 85% of expenditure to be classified accurately, using both the account code and supplier name to ascertain the exact nature of what had been purchased.

“An accurate and meaningful analysis of spend is key to identifying collaborative opportunities across Essex. Very useful work has been done and continues to be done within **ProClass** to ensure that it truly represents the environment of local government procurement.”

Chris Lay PAE Chairman

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