

Case Study - ProClass

Analysing Food and Catering Expenditure

Food and catering services is a relatively straightforward expenditure category that should be a good source of cashable savings through a variety of proven techniques. It is also a category where many organisations seek to apply local policies in areas ranging from use of local suppliers to healthy eating. However, establishing reliable and accurate data to support the development of appropriate policies and contracts has been a major barrier.

Capital Ambition (www.capitalambition.gov.uk) was keen to overcome the barrier and understand how best to unlock efficiencies and savings from within the category.

Critical to the research was the ability to access the current expenditure data provided by 28 of the 33 London local authorities. 2008/9 was the first time that the local government procurement classification, ProClass, had been applied to 94% of London's £8.9B local authority expenditure. Capital Ambition was keen to establish how good it was in helping to prove the case for introducing category management and what, if any, lessons needed to be learned. The food and catering services category provided the first test.



www.proclass.org.uk

Business Challenge

Obtaining accurate and reliable third party expenditure is a major barrier to understanding the optimal level of engagement across most categories in the UK public sector. Although it is possible to identify key suppliers, it remains very difficult to ascertain on what money has been spent.

Capital Ambition was determined to overcome this problem as it was a barrier to developing a sound business case for adopting new procurement engagement models and strategies. It decided to review the food and catering services category as a means of:

- > Understanding how collaborative working could drive cashable savings out of the category expenditure
- > Establishing the value of using other models and approaches across the category
- > Evaluating the resources needed to extend the approach across other categories
- > Confirming the value of its investment in ProClass mapping with Coding

Review Findings

Food and catering services is a category which has attracted considerable interest in recent years from different stakeholders with diverse agendas. These include:

- > Cashable savings and efficiency gains through better contracting and/or category management
- > Healthy eating, particularly in schools
- > Sustainable sources for food and ingredient provision
- > Use of localised suppliers and farms to reduce food miles and encourage local businesses.

In London food and catering accounts for £87.1M or 1% of London's third party expenditure and represents an average spend of £2.64M across the 33 London local authorities.

Although the amount of spend is small, in comparative terms, it is wide ranging from catering services to the provision of simple meeting refreshments.

Detailed ProClass analysis showed that £87.1M spent on food, ancillary equipment and catering services across London in 2008/9 was across 684 suppliers. However, £62.1M (71.3%) of this expenditure is with only sixteen suppliers (2% of the category suppliers).

About ProClass

ProClass is local government's procurement classification standard. It provides a common, overarching system for local authorities to analyse and compare spend on a like-for-like basis and does not entail replacing existing coding systems such as UNSPSC, CPV or Thomson as mappings are available for download.

ProClass allows councils and their partners to pin-point new areas for collaboration and sources of savings using well defined, unambiguous categories.

ProClass is freely available to any UK public sector body under a licence and is managed by [Coding International Ltd.](http://www.codinginternational.com)

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Most of the top suppliers are large organisations, with a clear national presence, which either offer complete catering services or deliver food provisions. The commonality of suppliers between London boroughs is significant. 17% of suppliers are used by two or more local authorities.

The ProClass categorisation also allowed Capital Ambition to assign a relative position of influence using the Supply Positioning technique. This helps determine the appropriate procurement strategies that need to be applied to gain maximum value for money. The diagram shows how relative influence has been determined with £29.9M being in the **Routine** box (34% of total category expenditure) and the remaining £57.2M being in the **Leverage** box. It also contrasts with profile of London's total £8.9 Billion procurement expenditure.

Business Outcomes

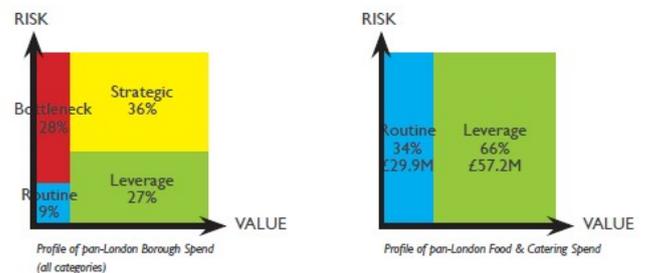
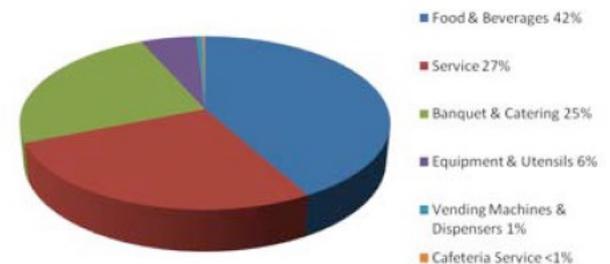
The spend profiling shows domination by a small number of suppliers and a significant overlap in terms of duplicated usage and contracts between London local authorities. Similarly, the low value spend, mainly on catering, is predominantly with small and localised providers. This information and further supporting evidence from existing contract analysis and other work by organisations such as OGC (now part of the Cabinet Office's Efficiency and Reform Group) and the RIEPS strongly suggests that the best level of engagement and management to deliver cashable savings for much of this category is either at a regional or sub-regional level. This argument is further confirmed when the London local government spend for this category is compared to that of the MOD and Prison Service. Both have significantly larger spend, but operate national category management programmes which have already delivered significant cashable gains.

Changing the business model would also save a significant amount of processing and officer time by removing large scale duplication of effort and contracting as well as allow food providers to reduce their own cost base, the benefits of which could be shared with local authorities.

The research showed that introducing Supplier Relationship Development (SRD) programmes with the major providers was also possible. It would not only help release these inbuilt costs but would enable common food policies to be introduced through increased leveraging. This could also lead to potential collaboration with other organisations such as MOD and the Prison Service who share some common suppliers with local government.

The ProClass mapping was instrumental in facilitating the development of this study. The information on 'what' budgets were spent was accurate showing a 'high level' of confidence. However, the study also showed that the information could be improved still further with the introduction of some extra ProClass level 2 headings on Corporate Service, Schools and Social Care and a level 3 heading on Ingredients; this has now been done.

Breakdown of £87M Food & Catering Spend



Source data of £2.8M

Find Out More



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