The increased emphasis on delivering cashable savings in 2009 pushed procurement and commissioning into the spotlight. With a total spend approaching £60B across English local government; third party expenditure clearly had to be a target for savings. However, many local authorities were not capturing the right information in their financial /ERP systems to provide good quality and reliable information from a procurement rather than a purely accounting perspective.

Business Challenge

Surrey County Council is an SAP user and became an early adopter of ProClass in 2008 using Version 8. They decided during the implementation phase that there were significant business benefits to be had by embedding the classification into their core system. They did this by including ProClass in their material group codes in SAP so that classifications would automatically feed right through to their transactions and Business Intelligence (BI) reports on category spend. They mapped ProClass to the suppliers for expenditure that did go through SAP and had no material group code; and also extended ProClass internally to cover non-trade payments so that all their third-party expenditure is covered.

This work has served them well as classifications are captured at source – the order stage which means they now have reliable online information and are not reliant on using third party expenditure analysis tools.

The Council now has a jointly managed procurement team with East Sussex County Council, who use ProClass Version 10.1. At present, they are using lookup tables between the two versions of ProClass to ensure consistency and Surrey are taking a positive role in helping and advising colleagues in East Sussex.

They are now looking to build on this work jointly, but also to develop a more sophisticated approach to supplier classification so that they can capture company size and the type of business (plc, partnership, social enterprise etc.) and ownership.

Business Solution

The current embedding of ProClass in SAP has met its initial objective of online reporting. Derek Lancaster, Performance & Development Manager in the Procurement and Commissioning Team at Surrey, has been pleased with the outcome. "Although there are always cultural problems with getting people to apply codes and descriptions consistently, the outcome is definitely worthwhile as it is possible to track information within 24 hours rather than having to wait until the next financial year to get reports." He added, "our Business Intelligence reports now give budget holders a really good indication as to what money has actually been spent on rather than a generic description as to what they are likely to have supplied."

A future plan will be to ensure that a later version is used, when an upgrade or re-implementation of SAP is carried out. The later versions of ProClass V10.2 onwards are far more complete in their coverage given the widespread usage across English local government. One of the immediate plans, subject to feedback, is to extend ProClass to non-influenceable areas of expenditure so that that it can provide a 100% overview of spending.

The issue regarding supplier classification is proving far more challenging. Derek welcomes the recent LeGSB (Local e-Government Standards Board) report to CLG. This has pointed to the need to get supplier classifications right but was unable to provide a clear solution. He pointed out, "we pay large numbers of non-company organisations, such as voluntary sector orgs. There is a need for a common record for basic supplier data to which any system can connect". There is no immediate off the shelf solution capable of meeting the various demands necessary for successful supplier reporting, whether it is publicly available numbers such as supplier number (Companies House) or commercial solutions such as DUNS numbers.

The immediate solution will be to piece together what is already in place in order to improve the supplier analysis of high value / risk categories. However, while this will work locally, it means that the wider opportunity of being able to share information on common suppliers between multiple public bodies remains time consuming.

Benefits

The main benefits that Surrey has derived by embedding ProClass into SAP for real time use are:

♦ Having integrated, real time reporting capability via BI rather than having to use third party expenditure analysis tools to deliver it retrospectively

♦ The ability to support the Council's category management teams, enabling identification of savings opportunities

♦ Better control of expenditure and budgets by allowing basic orders to be routed towards given contracts and suppliers

♦ Ability to respond to, and fulfil, transparency requirements

♦ Better management of spend against contract particularly the high value ones

Find out more about ProClass:
www.proclass.org.uk
info@proclass.org.uk