Making Magic - Transforming Local Government / FCCMA Conference

How **BOLD** Can Government Be?

Addressing the Data Deficit to Identify Savings, Increase Collaboration and Improve Transparency

City of Naperville – IL

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**Synopsis:**

Intent of the project/program/service:

Public sector agencies and in particular their procurement teams are under mounting pressure to do more with less, to collaborate better with their neighbors, and to be more transparent with their constituents. The economic conditions have lead to budget cuts, furloughs, and layoffs for many agencies. To date, the majority of projects aimed at reducing costs within and increasing collaboration between public sector bodies involve time consuming and extremely expensive Information Technology or consultant based solutions which can take years to implement and further additional years to see results.

Every agency has a financial management system and each and every one of these systems are different. Even if every agency in a geographic area utilized the same core system from the same supplier, the implementation would vary wildly in terms of level of sophistication, quality of implementation, coding and departmental structure used and effectively every other facet of the system other than the underlying hardware. Financial Management systems in the public sector are always individual to the agency – they aren’t bought off the shelf. . While the financial management systems are perfectly capable of enabling the agency to control cash flow and monitor spend to budget, the systems do not supply the quality of data, in a consistent and comparable format, and classified to a common standard that would allow and individual agency procurement team to interrogate their own expenditure information, let alone to identify collaborative opportunities between agencies to identify group cost savings.

The additional challenge for public agencies is how to better engage with the electorate and to produce information about the spend of an agency that is accessible by an ordinary citizen. Creating a website to host a raw data file exported from the financial management system is the current best approach and the one being taken by a number local governments and states. The challenge is not building the website and posting the raw data. The challenge is producing fit for purpose data, which is presented in a format that can be quickly viewed and understood by the ordinary citizen.

The data deficiency is the problem which the procurement teams in Illinois of City of Naperville, The Naperville Park District, School District 203 and 204, and the City of Aurora have set out to find a solution to. If the data deficiency problem can be solved, a whole host of opportunities become possible. How can five public agencies identify savings, collaborate more effectively and increase transparency without spending a significant amount of money up front? The answer is that once the data deficiency has been corrected, a significant number of opportunities become available.

The solution adopted by the five agencies was the NIGP Observatory, a new service provided through the National Institute of Government Purchasing, the foremost professional association for public sector procurement officers, buyers and managers in the United States by a private company called Spikes Cavell. Spikes Cavell was chosen as a strategic partner by NIGP because of their seven years of experience and track record in the United Kingdom in assisting public sector procurement. The group of Naperville agencies took advantage of a program offered by Spikes Cavell, called the Market Leaders and Innovators Program whereby Spikes Cavell offered their services for $1 per agency, in exchange for assistance in generating case studies and references in the United States.

There are a hundreds of spend analytics, procurement consultants and e-procurement vendors to the public sector whom the Naperville group could have chosen and these would have been the traditional solutions. However, each one of these solutions has been trialled before and found to be insufficient for one of a number of reasons.

Spend Analytics:

* Spend Analytics tools are only as good as the data which underpins them. The agencies understand that their underlying problem is not the business information tools on the front end as they all have tools in their own financial management systems that allow them to view the raw data from those systems. They needed a solution which addressed the underlying data deficit.

Consultants:

* There are many public sector procurement consultants who will spend a number of weeks at an agency and provide a report on potential savings opportunities. In general, those projects are expensive, are not easily repeatable, and require a significant amount of time on the part of the agency and take an extended time to identify and implement projects to achieve results. Consultant lead projects often overlook the knowledge and experience of the agency procurement team in favour of what is called “third party, independent assessment” but this external assessment comes at a cost, both in dollars and often moral in the procurement team.

E-Procurement

* Better utilization of information technology is often touted as the way for governments to streamline processes, improve visibility and achieve savings. However, as with spend analytics tools, the streamlining of the process itself or the powerful business information tools that lead to savings, because the data available from E-procurement systems is still not always fit for purpose for procurement. If it is implemented well, it usually covers less than 25% of expenditure and only in categories that have historically been under management and scrutiny anyway.

The reason ultimately for choosing the NIGP Observatory and creating a first of its kind group of agencies working together using the tools in the United States was that it would first and foremost help the agencies address the underlying inconsistent and disparate data and to transform that data into comprehensive, fit for purpose and robust spend data that is comparable across agencies and which can be used to drive procurement transformation. The agencies already have procurement officers and managers who understand their agencies, their legislative constraints and the internal politics of their agencies. They do not need an outside consultant coming in to do their jobs and who spend time and money to simply understand the background and purchasing history of the agency.

Anticipated Outcomes

The anticipated outcomes are as follows:

* $100,000 in cash releasing savings achieved per agency through collaborative initiatives.
* $25,000 in process improvement savings through reduction of invoice volumnes by identifying and enhancing the use of existing purchase card systems.
* $25,000 in cash releasing savings through supplier rationalization or extension and through negotiation with existing suppliers.
* All savings achieved will go directly back to the Agency. None of the savings are identified or achieved are paid to Spikes Cavell.

Costs

* $1 cost per agency.
* The time required to extract and validate the data which is supplied to the NIGP Observatory for the project. This is approximately 8-10 staff hours per agency.
* The time required for procurement staff to analyze the cleansed, classified and enhanced expenditure data.

Identify Innovative Characteristics

Acknowledging and putting the data deficiency problem front and center in the search for savings opportunities is a very new approach for public sector procurement in the United States. The majority of procurement officers, buyers and managers do not trust the data which comes out of their financial management systems but believe that the data deficiency is just something they have to live with. This approach gives the agencies the confidence in the data to accurately assess the potential savings opportunities and create a program of work to realize those savings.

When it comes to collaboration, if agencies are collaborating at all, they are normally still at the stage of getting together with colleagues from neighboring agencies and each bringing along a print out of an Excel extract from their financial management system. States and their agencies are often a step beyond this and have the data from multiple agencies either feeding into a central system or being collected from the dispersed systems. However, even where state purchasing has access to all of their agency’s spend information (and this is not the standard), the data deficiency still exists.

Regarding transparency, the agencies will publish their expenditure data to a public website called SpotlightOnSpend.org. This will open up access to government spending information in a way that can readily be understood by the average citizen and provide additional metrics which provide context for that expenditure data. These include spend per head of population, spend with small businesses, spend with local businesses and other measures which are sometimes even of more interest to the average citizen than spend by category information.

Obstacles and Results Achieved:

This program functioned to overcome obstacles associated with inter-governmental coordination on a regional basis. By creating information that provided relevant data for (1) each entity to identify savings and (2) the creation o9f a common language for communicating information about expenditures and opportunities for savings.

Any new issues/problems:

As the program matures ongoing challenges involving regional cooperation in exploiting savings opportunities involving joint purchasing .

**Presentation Components:**

1. Innovation/Creativity

The above approach to regional collaboration has not been carried out in the United States to date. There a number of purchasing groups (NIGP Chapters, Councils of Government, Purchasing Cooperatives) which attempt to identify collaborative opportunities but most are reactive and only occur when one agency’s contract is about to expire and they canvass the group for anyone else who is in a similar situation. Additionally, the identification of opportunities tends to rely on gut instinct as comprehensive data is rarely if ever available.

The technologies used are the creation of Spikes Cavell, the private company that has created and manages the NIGP Observatory and the partner for this project. The technology itself relies on SQL servers, and the .NET framework, and so is not new technology. In this program, the tools are not the innovation, the approach which focuses on data first and tools second is the innovative approach.

The involvement of Spikes Cavell was limited to the collection, aggregation, and enhancement of the agency expenditure data, training on use of the NIGP Observatory and publication for transparency purposes to SpotlightOnSpend.org. The identification of savings and collaborative opportunities was the responsibility of the agencies themselves. Spikes Cavell’s contact details are:

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1. Outcomes Achieved

REFERENCE NAPERVILLE DATA.

1. Applicable Results and Real World Practicality

If selected, all results of the project can be shared with other agencies. The Savings Opportunity Analysese, Collaborative Opportunity Analysis, and transparency data would be presented as part of the case study. The same project could be carried out by any group of public sector bodies willing to acknowledge their own data deficiency and take concrete steps towards government procurement transformation. The program could be carried out by a similar group of agency types (but could also include utilities, universities, airport authorities, port authorities, special districts, police and fire authorities, state or federal agencies, or any other public sector type), a group of cities only, a mixture of cities and counties or counties only. Utilizing the same tools, state and local government could even begin to work together more effectively to reduce costs across the board.

As savings are achieved by the agencies, they will be able to record and report on those savings through a module in the NIGP Observatory called Measure. Measure is specifically designed for the capturing of savings realized by the procurement teams and the reporting is designed to prove the value procurement brings to the agency to Heads of Finance and Elected Officials.

1. Case Study Presentation

The case study presentation would be broken down into 4 parts.

1. Background PowerPoint presentation on the data transformation process, what was done and why it was important
2. Presentation of an individual Savings Opportunity Assessment
3. Presentation of a Collaborative Opportunity Assessment
4. Presentation using Measure to show the actual results achieved from the program and how it is broken down by type, category and value of savings achieved
5. Interactive presentation of the agency data in the NIGP Observatory (internet connection required)
   1. Using the live data in the system, the ease of identifying savings opportunities will be presented.
   2. “If this was your data” presentation – interactive presentation where the audience can pretend for a moment that the data in the NIGP Observatory is theirs and ask the type of procurement questions that they would like answers to in their own agencies.
6. Share the results of the program and presentations burned to a CD.