



# New Standards for Procurement Classification

Towards a Pan London Strategy

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# PROCUREMENT CLASSIFICATION

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# PROCUREMENT CLASSIFICATION

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## 1. BACKGROUND

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This document sets out the business case and arguments for the adoption of a standard approach to procurement classification by all London authorities. The need for this has been recognised by an increasing number of local authorities for several years now, but the increased focus on the efficiency and service improvement delivery agenda has meant that this has now become a key issue. As more authorities have sought to undertake and interpret outcomes from expenditure analysis, it has become evident that it is very difficult to know with accuracy exactly what money is being spent on.

Since the LCE was formed in 2004, the importance of being able to share accurate and reliable expenditure information between authorities and other local public sector bodies for collaborative purposes has been recognised by chief officers and operational managers. Without such information, it is impossible to create business cases for collaborative work, seek new opportunities for driving out cost savings and plan future contract activities. In addition, there is also a need to share information between regions so that decisions can be taken on the appropriate level for collaboration. Much of the work being promoted under the Gershon Commodity Goods and Services work stream will be impossible to deliver unless reliable like for like comparisons can be made between regions

The Society of London Treasurers (SLT) (Gershon Sub Group) is concerned about the potential cost implications of implementing procurement classifications in existing financial/ERP systems. The LCE has held meetings with all the main providers of these solutions in London (details at Appendix A) and it would appear that they can all support this recommended approach as standard, although in one or two cases some modest consultancy support will be needed. Further work will be undertaken here at a national level with a view to formulating a common approach to the whole of local government.

The LCE has been analysing the results of its 2004/5 expenditure analysis and has also been engaged in setting up and populating its new on-line Contracts Register Service (CRS). At a workshop hosted by the LCE on 29<sup>th</sup> September 2005, to which all Regional Centres of Excellence and the OGC were invited, a consensus as to the new classification was agreed. The latest version (Version 4) is published at Appendix B. The LCE also joint hosted an event in Taunton on 15 December 2005 with the SWCE where representatives from 25 authorities were present. All those present supported the view that a common approach to procurement classification was essential and expressed support for the proposed classification being put forward. Since then, agreement has been reached by the Directors of all the nine English regions that a common approach to classification across the whole of local government should be the objective for 2006/7 – the classification will be known as ProClass. This paper sets out how this will be achieved in London.

Everyone recognises that this is not a precise science and that gaps will inevitably emerge once the new classification (ProClass) is used for analysis and planning purposes. However, with the right level of strategic leadership and ownership, the vision of local authorities across the UK being able to make like for like comparisons with confidence on how much is spent, with whom, on what and when will soon become a reality.

## 2. THE IMPORTANCE OF PROCUREMENT CLASSIFICATION

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### 2.1 DEFINING CLASSIFICATION

A classification structure logically groups similar things together into classes or families for the purpose of analysis. Hierarchical classifications allow analysis to be done at macro or micro levels, depending on business need.

For example, the purchase of a computer work screen may need to be analysed at macro level under "IT spend" or micro level under "computer peripherals spend".

A **classification** is used for analysing, searching and decision-making. It is also essential for expenditure analysis and supporting on-line contracts registers.

For the purposes of this paper, the term "coding" means a reference that unambiguously identifies a specific thing. "Classification" means a reference that groups related things together for analysis.

This document is about procurement classification, **not** coding. Authorities should continue to use their chosen procurement coding hierarchy (such as UNSPSC, NSV and Thompsons) as this supports a totally different purpose. These hierarchies can readily be mapped onto ProClass and will be supplied through the LCE as a standard file by July 2006. A suggestion on further reading on coding is set out in Section 5.

### 2.2 IMPORTANCE TO LOCAL AUTHORITIES

A standard procurement classification is essential to the delivery of the efficiency and service improvement agenda as it:

- Supports the standardisation of management reporting, performance measurement and benchmarking
- Facilitates the exchange and comparison of meaningful information between authorities and other public sector bodies to identify new areas for collaborative working, particularly as a result of undertaking Expenditure Analysis
- Allows business managers to seek opportunities for cost reduction, supplier rationalisation and streamlined contractual arrangements – including support for promoting the shared services agenda
- Underpins closer cooperation with trading partners and critical suppliers, particularly post-contract
- Supports the planning process including the identification of areas where scarce procurement and commercial resources should be focussed for maximum benefit to the organisation
- Provides the overarching framework for the successful deployment of **any** procurement or e-Procurement system, although these will most likely contain a coding system to support the ordering process

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This message was underlined in the *Efficiency in Civil Government Procurement* (1998) Report (ISBN 0947819592) that said, "to be effective, collaboration and joint procurement needs full and reliable information about who is buying what, from whom, and through what means. This will entail using a common classification system".

It is important to stress that a common procurement classification system is not designed to interfere with or prevent the development of local policies or reporting processes already in place. It is also **not** designed or intended to support any of the following activities:

- Analysis of expenditure by supplier
- Support for policies on SMEs / BMEs and/ or economic regeneration
- Catalogue content and/or trade with the private sector
- Budget planning and forecasting

## 2.3 CURRENT CHALLENGES

Expenditure Analysis is a relatively new business requirement for the UK public sector, but an essential one if year-on-year cashable savings and service delivery improvements are to be made. While most organisations can tell you what they spend with a given supplier at any point in time by enquiring through their Creditors/Purchase Ledger, this information is of limited commercial value. To undertake effective and meaningful expenditure analysis, authorities need to be able to report under the dimensions set out in the table below.

Dimension		Example
WHO	Supplier	S00010 – SPS
	Supplier Classification	Consultants, Local Suppliers, SMEs, BMEs
	Supplier Relationships	The Reed Group, The Hayes Group
WHAT	Procurement Classification	IT Consultancy, Stationery, Adult Care Packages
	GL Account	Misc. Expenditure, Training, 2003/4 Supp. Budget
BY WHOM	Service	Education
	Department / Cost Centre	St Mary's Primary
	Individual	Joe Bloggs, JB, 02468
WHEN	Period	2003/11
	Financial Year	2003/4

At present, most authorities do not hold the supporting information to be able to provide expenditure analysis around the Supplier Classification and Relationship sub-dimensions. Neither do they hold data to enable them to analyse 'what' they have bought. It is possible to get by in the short term without the supplier sub-dimensions as enough information is generally known about the key suppliers. However, all analysis based on 'what' is very approximate as analysis has to be done using General Ledger (GL) budget/account codes as procurement classifications are not available. Putting aside the issue of miscoding and vague descriptions (e.g. 'Miscellaneous Purchases' or 'Contracted Spend'), GL

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codes were never designed to support procurement analysis in individual authorities let alone collaborative working between them. Appendix C shows one of many examples of why GL coding cannot be used to support procurement classification. In this example, the cost of refreshments supplied for working lunches and training programmes for a single supplier has rightly been attributed to many GL codes for budget reasons. However, the example shows that identifying total catering spend would be impossible.

Some organisations have also been trying to use the international UNSPSC (United Nations Standard Products and Services Code). As described earlier, this is a code used for identification purposes **not** for classification and fulfils a totally different purpose. In addition, it contains a number of inherent design flaws that make it impossible to modify into a suitable classification structure to support robust local authority expenditure analysis (see Section 3).

### 3. PROCUREMENT CLASSIFICATION RECOMMENDATIONS

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#### 3.1 BACKGROUND

In 2003, several local authorities joined together to review the case for moving towards a common procurement classification (see Section 5). The group short listed two existing standards, both of which are widely used in the UK public sector and which at face value could be adapted into a classification structure by use of the top level in the hierarchies. These were United Nations Standard Products and Services Code (UNSPSC) and National Supplies Vocabulary (NSV). After a detailed and independent evaluation the team selected NSV. Details of the evaluation process are set out at Section 5.

Since then the LCE, working with the Procurement Agency for Essex (PAE) and others, has revisited these structures and studied the results of trying to use them for classification purposes in supporting expenditure analysis and an on-line contracts register. The key difficulties with adapting these structures for classifications purposes have been that:

- Neither reflects the expenditure profiles of the public sector as there is a 2 to 1 ratio of services to commodities. This means that there is insufficient detail on services and too much on commodities
- The NSV classification hierarchy (alpha characters) is too focused on healthcare while UNSPSC hierarchy contains too many obscure descriptions given its manufacturing origins

#### 3.2 ADOPTION ATTRIBUTES

People do not like codes and typically regard having to code or classify anything, particularly when they derive no benefit from the activity, as an overhead. Against this background the LCE Classification Workshop on 29 September 2005 (attendees at Appendix E) identified the key attributes that any procurement classification must possess if it is to stand a chance of being used successfully as:

- **Appropriate hierarchy** – tiered or single level to suit the complexity or value of the purchase and reflect the composition of third party expenditure
- **Balance** – no more than three levels
- **Extendable** and **easily maintainable** by the public sector
- **Easily mapped** and **cross-referenced** to existing coding structures, including the GL Chart of Accounts
- **User friendly** – with an unambiguous reference and definition which can be used by non procurement specialists e.g. window cleaners
- **Descriptions not numbers** recognising that many IT systems operate using alpha-numeric values
- **Limited Size** – with no more that 200 classifications to pick from including sub sets

To meet these attributes, the LCE and workshop participants devised a standard classification based

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on the expenditure analysis profile of 48 English councils.

The hierarchy was then validated against the following:

- Feedback from the PAE NSV hierarchy used in the pilot of their Contracts Register Service
- Chelmsford Borough Council's UNSPSC hierarchy used to capture procurement expenditure
- London Borough of Camden's classification types
- OGC Commodity Goods and Services work stream categorisation used for data collection
- The outcome of a trial carried out by Swindon Borough Council

### 3.3 ProClass and Ongoing Management

The latest version of the new classification (ProClass) is included at Appendix B which comfortably meets the pre-defined attributes.

In summary, ProClass:

- Reflects the local government expenditure profile with most commodities being defined to one or two levels and high cost services and works being defined to two or three levels
- Contains just under 200 choices which are all described in plain language and do not rely on knowledge of codes
- Provides the level of detail and commonality required to promote meaningful comparison
- Can be readily modified to cater for omissions and/or future changes in expenditure patterns
- Can be readily mapped on to existing coding structures (including GL Accounts, UNSPSC<sup>1</sup> and NSV)

Agreeing on a common classification structure is one thing, implementing it provides a number of significant challenges, such as:

- Ensuring version control and quality assurance (so that the problem of multiple versions does not occur) and a means for distributing the files
- Having a process for dealing with omissions and ideas for improvement that will inevitably occur, balanced against the need to preserve the key attributes
- Gaining ownership and support from those many authorities that have not been in the initial research and development process
- Achieving a common approach to mapping with coding systems used in existing e-Procurement and financial systems as well as by providers of Expenditure Analysis tools and contracts registers
- Negotiating common policy implementation statements with appropriate ICT providers, if and when an authority decides that ProClass should be used for internal purposes too and

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<sup>1</sup> North Tyneside MBC has already mapped UNSPSC onto the classification hierarchy

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incorporated into existing ICT systems

- Ensuring a robust communications policy, that sends out clear and unambiguous messages

With this in mind, the LCE will be working with other regions to establish a ProClass Quality and Standards Board. A copy of the Board's Terms of Reference is at Appendix E.

### 4. IMPLEMENTING THE NEW CLASSIFICATION

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#### 4.1 BUSINESS IMPLICATIONS

##### THE BUSINESS CASE

Is there business case for implementing the procurement classification? The activities that the classification will support have already been listed in Section 2. The business case needs to be centred on support for local and collaborative expenditure analysis. Many authorities have regarded this as a one off activity or something that is outsourced to expensive consultants. In comparative terms expenditure analysis is to efficiency gains as budgeting is to financial planning/forecasting. Some of the Essex councils that make up the Procurement Agency for Essex have been doing expenditure analysis for three financial years. Although the absence of a procurement classification hierarchy has been a drawback, they have used it to share information, plan contracting opportunities, negotiate with suppliers and target high spend areas for improvement.

In terms of the costs for introducing ProClass, there will be two phases:

##### ***Phase 1***

- Mapping ProClass to any existing procurement coding structures
- Ensuring that ProClass can be adopted and provided through any existing or planned Expenditure Analysis tools and collaborative contracts registers

This work is already underway and it is likely that any costs will be limited and will probably be met through funding from the Regional Centres of Excellence. The business case for Phase 1 is self evident.

##### ***Phase 2***

- Deciding whether or not to introduce ProClass into financial/ERP systems
- Deciding whether or not to introduce ProClass into operational systems

The meetings with the ERP / financial system vendors all suggested that this was more around each authority buying some consultancy days rather than making modifications to core systems. We believe that there is a further opportunity to carry out mapping either at a regional level to reduce costs, duplication of effort. We shall also be seeking standard adoption and cost statements from the major suppliers to prevent them from seeing this as a new exploitable revenue stream which would deter some authorities from making the most of the significant benefits that ProClass will bring to them.

##### OWNERSHIP

A key issue with the uptake on ProClass is one of ownership. Authorities will need to:

- Understand the benefits and advantages from adopting and owning it, including what it is designed to do and not to do
- Be able to influence how it develops in the future
- Appreciate that the key activities that it will support (expenditure analysis and contracts

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registers) are not one off exercises and that future reporting to central government agencies is likely to follow this route

- Be reassured that using ProClass is not going to interfere with their local autonomy and own policy priorities
- Be clear as to what costs, if any, are likely to be involved from adopting ProClass and over what time frame

These issues will be addressed and managed by the ProClass Quality and Standards Board

### EXISTING CLASSIFICATIONS

If an authority already has an existing procurement classification in place, (as opposed to a coding structure such as UNSPSC, NSV or even CPV) it is probably best to leave it alone and migrate to the new structure in time. Coding structures however can readily be mapped to the new classification, although in many instances it will be based on one to many relationships. This is because coding and classification are designed to fulfil different business objectives. The ProClass Quality and Standards Board will provide mappings to the main procurement coding structures and ensure that they are updated to reflect any changes that may arise.

### TIMING

The main priority is to ensure that ProClass is used regionally and sub-regionally in 2006/7 (see Phase 1) as this is where most of the immediate benefits are to be accrued. It would be advantageous if individual local authorities used it from the outset as well, but it is recognised that they may wish to satisfy themselves of any impact on systems and associated costs before adopting it for internal purposes. It is recognised that the latter process may take several years to achieve, but this is not critical if expenditure analysis tools and contracts registers are already using ProClass. These usually operate independently of corporate IT systems.

## 4.2 TECHNICAL IMPLICATIONS

### EXPENDITURE ANALYSIS TOOLS

This is the immediate area for priority. Fortunately, expenditure analysis in local government is dominated by three or four providers. Typically, they (not the local authority) extract data from the Creditors databases and map it onto a third party classification. We shall work with them to help them produce a translation to ProClass.

### CONTRACTS REGISTERS (COLLABORATIVE NOT INTERNAL)

This is the other important area that contains high value expenditure and which needs to support ProClass. Again, the number of providers of shared contracts registers is small and ProClass Quality and Standards Board shall work with them to help them produce a translation to ProClass.

### FINANCE SYSTEMS

The LCE has had meetings with the main finance/ERP system providers, namely SAP, Oracle, Agresso and CedAr which represent 65% of the finance systems used by the London boroughs. The main outcomes are attached at Appendix A.

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In summary, the main outcomes from the meeting were:

- There are no real technical problems with implementing a procurement classification such as ProClass
- The main user impact is the time and effort required to map a classification onto existing coding structures:
  - Mapping local coding structure (which users will be familiar with)
  - Mapping the classification against General Ledger (GL) account codes – there will be many to many relationships where a number of classification headings map into the same GL code and vice versa. It is unlikely to be feasible to recommend a one to one relationship between a GL account code and a classification heading as GL codes are designed for different purposes
- The main issue is one of change management and applying a controlled regime to eliminate 'maverick' allocations

Further work will be commissioned to ensure consistency of approach across the UK and also to confirm whether it would be advantageous to incorporate ProClass into existing and planned financial/ERP systems.

The ProClass Quality and Standards Board will seek to obtain a statement from each provider as to how they would tackle the task, an indication of costs, together with a check list of variable factors likely to be encountered and/or implementation options available.

### OPERATIONAL SYSTEMS

From an expenditure analysis point of view, operational systems such as Social Care and Project Management systems contain valuable information on the detail of what is purchased; much of which is rarely transferred into the finance system as it does not relate to invoicing or payments. Ideally, the classification should be incorporated into operational systems to support expenditure analysis. No investigation into the capabilities of operational systems has been undertaken to date and this should be seen as a long term "nice to have if affordable".

### E-PROCUREMENT

Some authorities will have e-Procurement systems already in place, most of which code using UNSPSC. As indicated earlier, this should be a simple mapping exercise, although it may mean that the classification may need to be held externally. For most authorities with such systems, typically only 2 to 5% of total external expenditure will go through the e-Procurement system, much of which is likely to be commodity or low value service based. Organisations undertaking Expenditure Analysis typically use their Creditors / Accounts Payable ledger as their data source.

### PRE VERSUS POST CLASSIFICATION

Consideration will also need to be given to the issue of pre-loading ProClass onto systems (mapped against existing codes) and deciding when to input others. Experience with all classification and coding structures to date has shown that people do not tend to do the job well for a variety of reasons. Ideally, a procurement classification decision should be made at source (i.e. at order or contract placement). Whereas this is fine if done by a procurement person, it is acknowledged that

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lots of high value contracts are placed by non-procurement people who have nothing to gain from providing such information. Similarly, classifying invoices at the payment stage can mean that insufficient information is available on the invoice for it to be done with confidence.

The ideal way forward may be to seek to classify high value expenditure at the contract stage so that coverage by value rather than volume is achieved. It is also worth bearing in mind that typically only 20% of GL codes will contain procurement related information.

We do not recommend that data from previous years be classified.

## 4.3 RISKS

There are a number of barriers and risks to the successful take-up and adoption of ProClass. These are set out in the following table.

Risk	Counter Measure
<b>Classification adopted by LCE and individual boroughs but not other regions</b>	<ul style="list-style-type: none"> <li>▪ Ensure successful adoption in London</li> <li>▪ Avoid the need for 100% buy-in and encourage phased implementation</li> <li>▪ Ensure active promotion by LCE , OGC and through the regional directors’ network</li> </ul>
<b>Slow take up or resistance from individual authorities</b>	<ul style="list-style-type: none"> <li>▪ Ensure sign-off by the Society of London Treasurers (SLT) and Heads of Procurement</li> <li>▪ Differentiate between Phase 1 and Phase 2</li> <li>▪ Provide advice and guidance on what needs to be done, while minimising any costs</li> </ul>
<b>People do not understand the need for the classification and/or the difference between coding</b>	<ul style="list-style-type: none"> <li>▪ LCE to provide a training workshop</li> <li>▪ Use of LCE and regional websites to promote the classification and its uses</li> </ul>
<b>System providers try to complicate implementation as a means of generating extra revenue</b>	<ul style="list-style-type: none"> <li>▪ Agreement with each major provider of what is needed to deliver and wherever possible a fixed price is negotiated through the regional directors network</li> <li>▪ Publication of an adoption statement by all main ICT providers (finance/ERP)</li> <li>▪ Supplier briefing sheet sent to all boroughs</li> </ul>
<b>ProClass contains omissions and errors which does not map accurately onto local authority high spend profile</b>	<ul style="list-style-type: none"> <li>▪ Creation of ProClass Quality and Standards Board</li> <li>▪ Constant review to monitor progress and ensure reasonable adaptations can be made</li> <li>▪ Not setting unrealistic expectations for take-up</li> </ul>

### 5. USEFUL SOURCES OF INFORMATION

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This section lists useful documents, websites etc. for more information.

The following documents are available on the LCE website ([www.lcpe.gov.uk](http://www.lcpe.gov.uk)):

- Maximising Returns from Purchasing Data - Informed business decisions from coding and classification  
A CIPS whitepaper co-written by Ken Cole, MCIPS
- Councils Collaborate to Assess Procurement Classifications – Executive Summary
- Summary of Meetings with Suppliers of Procurement and Financial Systems to London Boroughs

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### APPENDIX A – SUMMARY OF MEETINGS WITH FINANCIAL/ERP VENDORS

This is a summary of the meetings conducted by Philip Snowling (Mouchel Parkman) on behalf of the LCE.

Supplier Questions	Supplier Responses			
	Oracle	SAP <sup>2</sup>	Agresso	Cedar <sup>3</sup>
<b>How would the supplier recommend implementation of a classification scheme?</b>	No specific recommendation. Standard code table	No specific recommendation. Standard code table	No specific recommendation. Standard code table	No specific recommendation. Standard code table
<b>Are there options and what are the pros/cons of each option?</b>	Have experience of NSV and UNSPC. Specific experience of NSV in NHS (have 160 out of 600 trusts)	Not discussed	Main experience with UNSPC. Did not know about NSV but prepared to be flexible in approach	Aware of NSV coding structure – although requested NSV tables to be provided
<b>Are there dependencies?</b>	Procurement and main Financials modules required to maximise linkages	Not known	Not known	Procurement and Financial modules should preferably be Cedar modules
<b>Are there implications where an alternative classification scheme is already in place?</b>	Possible to map existing codes into new scheme	Possible to have many levels of code mapping/translation if required	Possible to translate local subjective codes into NSV without user specific awareness	Possible to apply NSV to local classification structure
<b>How does system support manual data entry? (Ideally want to avoid selecting from a separate code list)</b>	Manual entry of code can be restricted	Free text entry of classification code is possible	Not known	Not known

<sup>2</sup> Meeting held with Strategic Sourcing Manager (LB Barnet) and representatives from Logica providing SAP implementation consultancy to LB Barnet. Note that, at the time of writing, as part of the SAP implementation, an NSV classification scheme was being established with a 'go live' date of 1<sup>st</sup> August 2005. Implementation duration of 4 months – for complete SAP implementation.

<sup>3</sup> – Supplier contact unwilling to travel to meeting (based in N.E. England) – telephone interview conducted instead.

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Supplier Questions	Supplier Responses			
	Oracle	SAP <sup>2</sup>	Agresso	Cedar <sup>3</sup>
<b>Is it possible to default classifications from a supplier database which may then be overwritten?</b>	Yes. Global product precludes NSV being part of standard product set. UK consultancy have developed local procedures to implement NSV for NHS client base	Yes	Yes. Also prepared to consider NSV coding table as part of core product	Yes. Also prepared to consider NSV coding table as part of core product
<b>Can system support multi-level/hierarchical classification selection?</b>	Yes	Yes. Note that LB Barnet only implementing Alpha level of NSV schema	Yes	Yes
<b>Can classification structure be uploaded from a spreadsheet?</b>	Yes. Linkage mapping between classification and account codes can also be uploaded	No – have to use system administration function	Yes	No – have to use system configuration function
<b>What validation is there?</b>				
<b>Valid classification</b>	Yes	Yes	Yes	Unknown
<b>Classification not permitted for account code</b>	Depends whether manual code entry is permitted	Yes		Unknown
<b>Budget has been exceeded</b>	Yes	Unknown	No	No
<b>What is the relationship between classification and general ledger code?</b>	Many to one ideally. Can be one to one if required although unlikely	Many to one. Can have one to one although unlikely	Some clients are considering a one to one relationship	Many to one
<b>What reporting facilities are available – report by account code, dept, users and supplier?</b>	Comprehensive reporting from back-end ledger and from front-end procurement modules	Comprehensive reporting from back-end ledger and from front-end procurement modules	Comprehensive reporting from back-end ledger and from front-end procurement modules	Comprehensive reporting from back-end ledger and from front-end procurement modules

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Supplier Questions	Supplier Responses			
	Oracle	SAP <sup>2</sup>	Agresso	Cedar <sup>3</sup>
<b>Data entry overhead for user?</b>	Main overheads: <ul style="list-style-type: none"> <li>▪ Mapping local classification and NSV</li> <li>▪ Mapping to ledger codes</li> </ul>	Main overheads: <ul style="list-style-type: none"> <li>▪ Mapping local classification and NSV</li> <li>▪ Mapping to ledger codes</li> </ul>	Main overheads: <ul style="list-style-type: none"> <li>▪ Mapping local classification and NSV</li> <li>▪ Mapping to ledger codes</li> </ul>	Main overheads: <ul style="list-style-type: none"> <li>▪ Mapping local classification and NSV</li> <li>▪ Mapping to ledger codes</li> </ul>
<b>Miscoding opportunities?</b>	Depends on implementation	Depends on implementation	Depends on implementation	
<b>How much of solution can be set-up by user?</b>	All – may need configuration options to specify field widths in classification schema	High levels of consultancy support generally required for SAP implementation and support	Mostly user definable	User definable but via system administration function
<b>Are there any modifications required to code to support classification functionality?</b>	No	No	Yes – minimal impact – estimated 1 day consultancy	Yes – minor changes required to set up secondary index
<b>How much consultancy support would be required?</b>	Minimal – configuration of field widths only	See previous answer	Minimal – estimated 1 day consultancy	Unknown

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## APPENDIX B – PROCLASS HIERARCHY (VERSION 4)

Top Level	Level 2	Level 3
<b>Building Construction Materials</b>	Plumbing Electrical Heating Roofing Glazing Paint and Finishing Floor Coverings Fencing Kitchens Bathrooms Machine and Hand Tools Timber General Materials	
<b>Catering</b>	Services  Equipment and Utensils Vending Machines / Dispensers Food and Beverages	Banquet and Catering Cafeteria Carry out and take away
<b>Cemetery &amp; Crematorium</b>	Equipment Maintenance	
<b>Cleaning and Janitorial</b>	Services  Cleaning Materials  Laundry Equipment Laundry Equipment Maintenance	Laundry Building Cleaning Washroom Sanitation  Chemical Janitorial
<b>Clothing</b>	Protective (PPE, Workwear) Uniforms Personal (children's / adult's) Safety Footwear	
<b>Consultancy</b>	IT  Legal Construction Management Procurement Business Efficiency Technical and Feasibility Financial Healthcare Strategic Planning	Project Management BPR Implementation

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Top Level	Level 2	Level 3
<b>Domestic Goods</b>	Commercial (White Goods) Industrial	
<b>Education</b>	Supplies	Arts and Crafts Books Library Books Schools Toys Musical Instruments Audio / Visual
	Services	Children Adult / Further Education
<b>Environmental Services</b>	Waste Management	Refuse Collection Waste Disposal Recycling Equipment (e.g. bags and bins)
	Monitoring	
	Technical Equipment	Laboratory Measuring Testing
	Forensic and Laboratory Testing and Inspection Pest Control Tree Management Funerals Land Protection	
<b>Facilities and Management Services</b>	Reprographics Printing Design and Photography Travel Market Research Public Relations and Image	
	Advertising	Statutory Promotional / Recruitment
	Security	Street Wardens Manned Guarding CCTV Access Control Equipment incl. Alarms
<b>Financial Services</b>	Accountancy Insurance Banking Audit Cash Collection Credit Cards Debt Collection and Recovery	
<b>Furniture</b>	Office Commercial Domestic	
<b>Health and Safety</b>	Products	

# PROCUREMENT CLASSIFICATION

Top Level	Level 2	Level 3
	Services	
<b>Highway Equipment and Materials</b>	Paving and Kerbstones Bitumen & surface dressing Concrete Lighting Products Signage Health and Safety Street Furniture e.g. benches/bins	
<b>Horticultural</b>	Tools and Equipment Seeds and Plants Chemicals Stones and Rocks Trees and Shrubs Soils & dressing	
	Services	Weed Control Tree Trimming
<b>Human Resources</b>	Training and Conferences Recruitment / Assessment Interpretation and Translation Professional / Advisory Services	
	Temporary / Agency Staff	Admin and Clerical Industrial Operatives Professional - surveyors, planners etc Accountancy
<b>ICT</b>	Hardware Software Consumables	
	Services	Complete Outsourcing Disaster Recovery Application Service Provision Desktop Provision and Upgrade
	Maintenance Telecommunications - Mobile Telecommunications - Fixed Call Systems Reprographics Equipment	
<b>Legal Services</b>	Legal Opinion General Support (e.g. Conveyancing) Specialist Support (e.g. PFI / PPP) Advocacy Election Services	
<b>Leisure Services</b>	Performing Arts Sports and Fitness Museums Outsourced Service	
<b>Mail Services</b>	Postage Couriers Freight	

# PROCUREMENT CLASSIFICATION

Top Level	Level 2	Level 3
<b>Medical</b>	Equipment Consumables Operations Drugs Fees Services	
<b>Social Community Care Supplies and Services</b>	Children's Services Adults and Older People Services Supplies	Consumables e.g. nappies Equipment (e.g. stair lifts, wheel chairs)
<b>Sports / Playground Equipment and Maintenance</b>	Playground Equipment Playground Maintenance Sports Equipment Sports Equipment Maintenance	
<b>Stationery</b>	Paper Sundries	
<b>Traffic Management</b>	Car Parks Wardens Fines Collection Equipment (Meters / Machines / Lights) Rock Salt Traffic Control	
<b>Transport</b>	Passenger Transport Fleet Management Maintenance Repair Taxi Services	
<b>Utilities</b>	Gas Electricity Water Heating Oil	
<b>Vehicles (not Buses - see transport)</b>	Commercial (e.g. cars, vans) Industrial (e.g. refuse, forklifts) Maintenance Fuel Parts (e.g. tyres, exhausts) Vehicle Leasing Heavy Construction Equipment	
<b>Works (Construction / Repair / Maintenance)</b>	Roads	Construction Repair Maintenance
	Open Spaces	Construction Maintenance Repair
	Buildings	Construction Repair Maintenance

## PROCUREMENT CLASSIFICATION

### APPENDIX C – PROBLEM OF USING GL ACCOUNTS FOR PROCUREMENT CLASSIFICATION

The following example shows how invoices from a company that supplied sandwiches and refreshments to a London borough were coded.

GL Account Description	Spend	% Spend
Refreshments - Officers Meeting	£5,463.60	20.13%
Training	£5,432.85	20.02%
Consumable Materials	£4,171.15	15.37%
Miscellaneous	£2,443.25	9.00%
Training - Teacher (In Service	£1,316.55	4.85%
Provisions - General	£1,212.65	4.47%
Catering Contract - External	£1,067.65	3.93%
Development Fund	£947.05	3.49%
New Initiatives	£744.25	2.74%
Conference Expenses	£581.15	2.14%
Contingency Provision	£535.30	1.97%
Childminders Payments	£427.30	1.57%
Quality Initiatives	£354.95	1.31%
Disability Projects	£198.75	0.73%
Training - IT	£183.85	0.68%
Catering Contract- Internal	£163.00	0.60%
Partnership	£161.40	0.59%
Workshops	£156.15	0.58%
Civic Hospitality	£154.75	0.57%
Vending Machines	£141.45	0.52%
Printing - Other	£111.50	0.41%
Lecturers Fees	£106.25	0.39%
Training - For Carers	£104.75	0.39%
Health & Safety - Non Equipment	£97.25	0.36%
Grants To Non-Statutory Orgs.	£94.50	0.35%
Valuing Diversity	£90.70	0.33%
Schools Standards Fund	£85.00	0.31%
Recruitment	£77.70	0.29%
Telephones - Mobile	£75.10	0.28%
Training Fund	£71.15	0.26%
Hire Of Sports Facilities	£69.20	0.25%
Children In Need	£63.50	0.23%
Expenses - Subsistence	£62.80	0.23%
Carers Payments	£54.00	0.20%
Non-Statutory Orgs - Salaries	£53.50	0.20%
IT Purchase	£32.20	0.12%
Community Projects	£32.20	0.12%
<b>TOTALS</b>	<b>£27,138.35</b>	<b>100%</b>

**APPENDIX D – ATTENDEES AT LCE CLASSIFICATION WORKSHOP  
29<sup>TH</sup> SEPTEMBER 2005**

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<b>Name</b>	<b>Organisation</b>
Cliff Appleby	North Tyneside MBC
Janet Chinnery	Procurement Agency for Essex
Ken Cole	London Centre of Excellence
Stuart Facherty	London Borough of Camden
Kelly Forrester	South West Centre of Excellence
John Nicolson	Office of Government Commerce
Mike Parrott	London Borough of Havering
Esther Thomas	London Centre of Excellence
Chris Whiley	Chelmsford Borough Council

## APPENDIX E – PROCLASS QUALITY AND STANDARDS BOARD TERMS OF REFERENCE

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### 1. PURPOSE

The purpose of the **ProClass** Quality and Standards Board (hereinafter known as the **ProClass** Board) is to own the local government procurement classification, ensuring that it is able to meet the requirements for which it was designed and can evolve in a controlled and consistent manner. It is responsible for enforcing quality and version control and deciding on the merits or otherwise of any changes to the classification structure.

### 2. SCOPE

**ProClass** is a classification **not** a coding structure. A classification structure logically groups similar things together into classes or families for the purpose of analysis. Hierarchical classifications allow analysis to be done at macro or micro levels, depending on business need. For example, the purchase of a computer work screen may need to be analysed at macro level under "IT spend" or micro level under "computer peripherals spend".

A classification is used for analysing, searching and decision-making.

For the purposes of this paper, the term "coding" means a reference that unambiguously identifies a specific thing be it a commodity or service. "Classification" means a reference that groups related things together for analysis.

**ProClass** supports the following business functions:

- Expenditure analysis at a **macro** level targeting high value and/or risk areas. This will support the like for like exchange of information between regions in the first instance and authorities to exchange information on like for like basis for the purposes of planning, coordination and driving out cashable savings
- Contract management (including underpinning registers) and coordination / exchange of information about available contracts

ProClass is **not** intended to support any of the following business functions:

- Analysis of expenditure by supplier
- Support for policies on SMEs / BMEs and/ or economic regeneration
- Catalogue content and/or trade with the private sector
- Budget planning and forecasting

In addition, ProClass is not designed to replace any existing coding structures that are used (e.g. UNSPSC / NSV / CPV) by any authority.

## PROCUREMENT CLASSIFICATION

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### 3. THE BOARD

Each of the nine English regions has a seat on the Board that would be occupied by either the Director of the Regional Centre of Excellence or a nominated deputy who is capable of understanding the issues being considered by the Group and authorised to take decisions.

The Board is responsible for:

- i) Owning the procurement classification (ProClass) and maintaining its integrity
- ii) Considering changes / amendments to the procurement classification against the agreed operational criteria (see Appendix A) and ensuring such changes are incorporated through a strict version control mechanism
- iii) Commissioning appropriate work (e.g. publishing mapping exercises onto UNSPSC, NSV and Thompson as well as CIPFA classifications if appropriate)
- iv) Coordinating and publicising outcomes with key vendors (primarily those engaged in expenditure analysis, contracts registers / databases and providers of financial systems)
- v) Recommending any national commissioning work to the Regional Centre of Excellence Directors, or any successor body where suitable economies of scale and /or operational consistency may be achieved
- vi) Ensuring that the procurement classification is owned, and its purpose fully understood, by local councils, corporate bodies and other interested third parties (both public and private)
- vii) Resolving any issues or disputes that are likely to impede the successful adoption of the procurement classification by local councils
- viii) Encouraging all local councils to adopt the procurement classification at the earliest opportunity through on going consultation
- ix) Ensuring that the reasoning behind the procurement classification and the benefits of adopted are fully understood and promulgated through workshops and/or training programmes

The Board will be chaired by a member from one of the regions who is best suited to promote ***ProClass***

### 4. MEMBERSHIP

There are two types of Board membership:

- *Full* membership means actively participating with full representation and voting rights. This is restricted to representatives from the nine Regional Centres of Excellence
- *Associate* membership means being **invited** to the Board as an interested party or specialist advisor. It confers no representation or voting rights

Attendance at meeting is by invitation only.

### 5. REPRESENTATION

Each of the nine Regional Centres of Excellence is entitled to nominate one representative to the Board as follows:

- Only full member representatives so nominated, or their deputy, will be entitled to vote and each representative will have one vote. Decisions taken will be on the basis of a simple majority. A quorum of 5 full members is required to transact business.
- Substitute member representatives with full voting powers will be permitted, but must announce their substitute role at the beginning of the meeting or as soon as possible after their arrival. They must be authorised to take decisions by the nominating Region.

In addition to member representatives, Regions may send up to two observer members who will not be entitled to vote, but may speak with the permission of the Chairman.

### 6. ACCOUNTABILITY

The **ProClass** Board shall be accountable to the Directors of the nine English Regional Centres of Excellence or any successor body. In the first year it is important that the Board liaise closely with other teams following the efficiency agenda (e.g. Corporate Transactions) where there is a direct overlap in scope.

### 7. MEETINGS

The Board shall meet quarterly to conduct its business. Dates for meetings shall be set one year in advance. If there is insufficient business to be conducted, the Chairman at his /her discretion, but in consultation with colleagues, may either cancel the meeting. It may appoint sub-groups to undertake specific work.

### 8. FUNDING

The Board shall receive any funding through the Regional Centres of Excellence to cover its operational work. It may apply directly to any public sector organisations for the payment of appropriate grants to support any additional studies or 'common good' initiatives.

## **PROCUREMENT CLASSIFICATION**

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### **9. ALTERATIONS/AMENDMENTS TO THE TERMS OF REFERENCE**

Alterations/amendments to the Terms of Reference may be proposed by the Board but must be approved by the Regional Centres of Excellence Directors (or successor body).

### **10. STAKEHOLDER COMMUNICATIONS**

The Board shall work closely with the RCE Communications Director (Seth Brook) and other key stakeholders such as the Commodity Goods and Services work stream.