



## Appendices

# ProClass

## A Procurement Classification For Local Government and the Public Sector

30th October 2006

Improvement through efficiency



## 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>1</sup>	Agresso	Cedar <sup>2</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>1</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>2</sup> – Supplier contact unwilling to travel to meeting (based in N.E. England) – telephone interview conducted instead.

Supplier Questions	Supplier Responses			
	Oracle	SAP <sup>1</sup>	Agresso	Cedar <sup>2</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

Supplier Questions	Supplier Responses			
	Oracle	SAP <sup>1</sup>	Agresso	Cedar <sup>2</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

## APPENDIX B – 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 C – ATTENDEES AT LCE CLASSIFICATION WORKSHOP 29<sup>TH</sup> SEPTEMBER 2005

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Name	Organisation
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 D – 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.

## 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.

#### **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.