# *Towards a Standard Procurement Classification for Local Government*

An extended summary of research commissioned by

**Hertfordshire County Council**

**London Borough of Camden**

**London Borough of Hammersmith & Fulham**

**Somerset County Council**

August 2003

## Participating Organisations

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| **Hertfordshire County Council** | **London Borough of Camden** |
| **London Borough of Hammersmith & Fulham** | **Somerset County Council** |

## Supporting Organisations

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|---|---|
| **Strategic Procurement Services** | **Coding International Ltd** |
| **Cedar Software Ltd** | |

# Contents

# Background to the Study

Most organisations are faced with the challenge of finding and implementing a successful Procurement classification to support their financial, ERP and e-Procurement systems. Some have adopted off-the-shelf standards with limited success and often with little consideration being given to how appropriate they are once adopted and how they compare with other potential classifications. Very little information is available on the Procurement classification issue and the last independent comparative evaluation process was commissioned by Central Government in 1990 as a part of the PURSUIT Project.

The Chartered Institute of Purchasing and Supply (CIPS) has helped raise the profile of this subject by publishing a new White Paper (***Maximising Returns from Purchasing Data – Informed business decisions from coding and classification***). The White Paper does not make any recommendations on either the standards that should be adopted or the supporting business case.

The importance of using a good Procurement classification was underlined in the ***Efficiency in Civil Government Procurement*** (1998) Report (*ISBN 0947819592*) published by the forerunner of the Office of Government Commerce (OGC). It 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*".

In the spirit of collaboration, four local authorities shared costs to sponsor a Collaborative Review to do a proper evaluation of potential off the shelf classification standards. They were:

▪ London Borough of Camden

▪ London Borough of Hammersmith & Fulham

▪ Somerset County Council

▪ Hertfordshire County Council

The Councils used independent experts from *Strategic Procurement Services* (SPS) and *Coding International Ltd* (CIL) to provide information and research, however, these organisations did not participate in the Councils' deliberations and final recommendations.

*Cedar Software Ltd* undertook research into the impact of the short listed classification structures on their **e5** product set, which was provided directly to the clients concerned.

In coming together to collaborate, the Councils were keen to be in a position to share knowledge and information on this important subject and work towards the creation of a standard for the whole of local Government in the UK. This extended Executive Summary provides details of their findings and invites other Councils to collaborate and share information on this important subject.

# Study Objective

The participating organisations agreed the following objective for the study:

To identify the best hierarchical Procurement facing classification structure that can be used as a common language for all local government to support the:

- Standardisation of management reporting, performance measurement and benchmarking

- Exploitation of opportunities for cost reduction, supplier rationalisation and streamlined contractual arrangements

- Easy identification for non-procurement specialists of defined Procurement routes, availability of corporate contracts and potential sources of supply

The study did not investigate issues connected with Procurement identification structures as this was felt to be a complex area where each Council would be seeking its own solutions. Some issues were considered where there is a possible implication on the classification structure. The Terms of Reference are at Appendix A.

# Main Recommendations

The report made six recommendations:

**[R1]**   Local authorities should note the likely future contribution of the CPV classification to e-commence particularly in relation to EU trading and seek to incorporate it into their ERP and financial systems.

**[R2]**   Assuming that local authorities decide to work together, they should commission a cross referencing exercise with CPV and the recommended Procurement classification if that has not been done.

**[R3]**   The NSV classification (alpha elements only) should become the standard Procurement classification for UK local authorities.

**[R4]**   The relative merits of UNSPSC are noted but Councils that have adopted it should consider working together as well as with others with an interest in classification. This would have two aims:

- To develop a consistent approach to its deployment and get a larger and coordinated voice on the functional committees
- To work with other Councils seeking to develop other classifications and standards to ensure that the goal of a single Procurement classification can one-day become a reality.

**[R5]**   Interested Councils should collaborate to ensure that the completion of the changes required for services and any cross-referencing are made once only with the costs being spread across a wider base.

**[R6]**   A national User Group of local authorities interested in adopting this standard or making the most of other classifications should be created.

The collaborating Councils made these recommendations after a detailed assessment. They recognise the existing reality of IT systems and the current use of standards in local Government.  They are designed to foster collaborative working on what is an important subject area and should be read in context with the findings set out in the Evaluation Process.

# The Need for Classification

As local Government moves closer to making the recommendations of the 2001 Byatt Report a reality by embracing the benefits of strategic Procurement, so the necessity for a common classification structure increases. In summary, classification is essential to strategic Procurement activity by:

- Supporting the standardisation of management reporting, performance measurement and benchmarking

- Providing the foundation for the successful deployment of *any* Procurement or e-Procurement system

- Facilitating the exchange and comparison of meaningful information between Councils and to enable work on collaborative purchasing activities

- Allowing managers to seek opportunities for cost reduction, supplier rationalisation and streamlined contractual arrangements

- Underpinning closer cooperation with trading partners and critical suppliers

- Identifying areas where scarce corporate purchasing and commercial resources should be focussed for maximum benefit to the organisation

- Providing an easy navigation service for both line customers and suppliers where they need to search for products or services or register their capability

Some local authorities have attempted to use General Ledger subjective codes for reporting purposes. While at first glance this could provide some limited success, this is not a suitable route to pursue for the following reasons:

- Finance codes do not possess the level of information or detail to allow a proper analysis of Procurement expenditure to be undertaken

- Usually only creditors data is available as a significant percentage of spend is not covered by Purchase Orders.  This often means that areas of spend are not recognised (journal charges for example) or are charged to miscellaneous/suspense codes (awaiting journal transfers in the General Ledger)

- Budget holders often miscode or inconsistently code expenditure providing an inaccurate picture for analysis purposes

- Finance codes are designed for a different purpose and require a significant amount of off-line rework and analysis to give even a rough idea of spend profiles and patterns. Even the use of Business Intelligence (BI) tools and report writers does not alter this position

Discussions with Alexis Brookes, the Procurement Advisor to CIPFA, confirm that the best way to proceed is to map the agreed Procurement classification onto the main subjective headings and sub-groups in the Chart of Accounts.  This will be a first step and will help identify any further issues or opportunities that need to be addressed on a collaborative basis. The mapping exercise does not need to be onerous, as many headings do not have a direct relationship to Procurement.

# Evaluation Process

The evaluation process followed the following four stages.

## 1. Setting of Evaluation Criteria

The evaluation comprised eleven criteria that test every aspect of the shortlisted classifications. Four were weighted as being of primary significance and received a potential score of sixteen (16) points each. These were:

- Structure

- Suitability for Electronic Commerce

- Relevance to Procurement activity

- Cross referenceability with other classifications

The remaining criteria were deemed important and received a potential score of five (5) points each. These were:

- Coverage

- Ownership and viability

- Cost

- Ability to influence

- Support by a 3$^{rd}$ Party Coding Service

- Service Levels (for new or amended codes)

- Quality Procedures

Details are set out at Appendix B.

## 2. Building the Shortlist

The Councils drew up a list of the following classifications:

UNCCS, CPV, UNSPSC, NSV and TTCN (C&E), NATO, EAN, and SIC

This list was reviewed against the following criteria:

- Specific support for Procurement activity

- Coverage of services as well as products

The latter point is particularly relevant given that about 65% of local government procurement spend is on services rather than products.

Against this background, three classifications met these criteria and were considered to be worth shortlisting for an in-depth analysis and evaluation.

These classifications were:

**CPV, UNSPSC** and **NSV.** Details of both the shortlisted classifications and those rejected are at Appendix D.

## 3. Creating the Code Basket

The Councils decided to develop a basket of services and products as a part of the evaluation process. The split was about two to one services to products to reflect the Procurement profile of most Councils and public sector bodies. Particular emphasis was given to challenging areas such as Social Services and Highways where high spend occurs on complex service packages or through novel contracting arrangements.

*Coding International* did the testing, and the Councils were able to study the results during the evaluation. The basket details and classification results are unfortunately too large to include in this report, but can be made available from any of the sponsoring organisations.

## 4. The Evaluation

The Councils scored each classification against the evaluation criteria. The summary totals are shown as follows:

| Classification | CPV | UNSPSC | NSV |
|---|---|---|---|
| **Score Achieved** | 42 | 53 | 67 |

The Councils revisited the study objective published at Section 1.4, before making its final assessments and these are set out at Appendix B along with relative strengths and weaknesses of each classification at Appendix C.

The Councils made the following observations and recommendations after the evaluation process was completed:

### *CPV*

▪ The CPV classification is not suitable for dealing with Procurement Classifications, even though it is used to support the Public Procurement Directives. It contains inconsistencies and struggles to meet the needs of the modern Procurement office. However, even though the Councils did not recommend its adoption as a new standard, it recommended that the classification should be incorporated wherever possible into core systems (ERP and financial) to support e-commerce across the EU.

▪ The Councils noted how central Government had commissioned a one-off cross-referencing of CPV with NSV (their chosen Procurement classification) in the mid 1990s and believed that local authorities should replicate this approach. It is also consistent with the principles of collaboration set out in the Byatt report.

▪ Concern was expressed at the lack of transparency and poor service levels in getting changes made to the structure. While the EU does put its proposed new version into the public domain, it takes up to three years to get changes made and no feedback is given as to why or if changes have been made.

### *UNSPSC*

▪ The UNSPSC is trying to become a defacto standard rather like EDIFACT did with EDI in the 1990s. The out of Court agreement between the UN and D&B in October 2002 has caused some instability in the structure, as the two classifications are re-aligned. Also, as an international standard it is very difficult to

influence and direct at a national level which is likely to create the same problems as with EDIFACT where sub-directories were created.

▪ Clearly, some e-Procurement vendors have designed their systems around UNSPSC being the agreed standard, often because they were not aware of any others or because they were aware of the change of policy by OGC in September 2002 from NSV to UNSPSC. The latter policy change was not made through any scientific evaluation or broad consultation exercise. It is worth stressing that this policy was not changed as a result of any dissatisfaction with NSV. Solution providers will not welcome having to change this in the immediate future for their clients, even though many find it difficult to use. In addition e-Procurement tends to target low value commodities whereas a clear majority of Procurement expenditure is service related.

▪ The rapid changes in versions (bi-monthly) was a major worry and would be likely to push up overheads in systems administration more than the other two structures. This is being caused by the bringing together of two separate structures run by the UN and D&B in October 2002. The process for change through functional committees was very remote and there were no plans to cross reference to other important codes such as CPV and Merchant Category Group (MCG) for Purchasing Cards

▪ Evidence suggests that those Councils that have adopted UNSPSC have either asked suppliers to cross reference their catalogue/part numbers or have attempted it themselves. This is inefficient and is likely to lead to inconsistent classification and reporting (one supplier is known to have put CDs into agricultural equipment). Again a collaborative approach will reduce costs by spreading them, improve accuracy and consistency and will remove the burden from suppliers who have neither an interest nor incentive to undertake Procurement classifications.

*NSV*

▪ The NSV classification has many strong points and topped the previous known central Government evaluation (facilitated by Coopers & Lybrand) carried out in 1991. It proved to be highly successful and was highlighted throughout the 1990s as a model of how the public sector can collaborate. It ran into problems for two reasons, firstly because people that understood its purpose moved on and secondly because departments failed to understand how it was to be used. By the time OGC looked at it most people were not aware of its uses and some were trying to use a 500,000-code database!

▪ The evaluation shows that NSV has much to offer local authorities, providing they stick to the three alpha level element only. This currently has 2,000+ codes in it with a potential to go to 17,576 (26 x 26 x 26). The Councils considered the difference between Procurement classification and identification, but kept their recommendations to the former in line with the study objective. The Councils believe that the alpha section is ideal for classification purpose but would become unmanageable for this purpose with the numeric element added. That does not preclude its use for identification purposes by individual organisations, but the Councils believed that it was not feasible to recommend a common approach in this area. A cross-reference between the alphanumeric codes (7) and CPV is available as standard, but would need some rationalisation if only required at the alpha level. The Councils thought that this was better than no cross-reference.

▪ The fit with local authority is excellent covering services and products, although the services hierarchy would need to be better developed, particularly around social care. However by collaborating, Councils would be able to ensure that its future development mirrored their needs and a shared cost arrangement could prove very attractive to completing the work programme.

▪ There would also be advantages of working with the central Government departments still using the classification as well as any Health bodies willing to collaborate. The current initiatives bringing Social

Services and health related PCT services together might benefit from this situation as this is a good example of cross sector working.

# Benefits of a Collaborative Approach

The benefits for collaboration on Procurement classification can be summarised as follows:

- Paying **once only** to address any business issues or carry out tasks that all local authorities will need to address once they decide on a Procurement classification

- Ensuring that the recommended Procurement classification structure continues to be developed consistently to support best Procurement practices

- Providing an embryonic User Group with a view to extending potential take up across the whole of local Government

- Providing a standard design that can be used by any Financial, ERP or e-Procurement provider that can be used during current and future system implementation, saving on implementation consultancy

- Being able to extract meaningful and relevant information immediately and compare it with other Councils on a like for like basis to support collaborative Procurement activities

- Avoiding having a standard imposed on them by IT suppliers

- Providing a mechanism for dialogue with other Councils that have adopted other standards (particularly UNSPSC) so that they can further understand how to improve their own Procurement classifications or move across to this standard

- Developing a new national service where suppliers can have their products and services classified using the appropriate standard, so as to ensure a common approach to classification and greater accuracy of data

Collaboration means that any resources and third party costs needed to take forward both new and existing standards can be shared ensuring lower costs and better design and application consistency. This approach is fully consistent with Byatt recommendations.

# Invitation to Collaborate

This publication sets out the main findings from the collaborative study, which are highly relevant to all local authorities seeking to accrue the benefits from adopting strategic Procurement.

It will only realise its full value if Councils work together on a common approach. We are pleased that the following organisations have agreed to be associated with the work:

*The Chartered Institute of Public Finance and Accountancy (CIPFA)*

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3 Robert Street
London, WC2N 6RL
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*The Chartered Institute of Purchasing & Supply (CIPS)*

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*The Society of Procurement Officers in Local Government (SOPO)*

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The four sponsoring Councils are now keen to become the embryonic National User Group for Procurement Classification. All local authorities are invited to participate in this initiative, whether they intend to use the recommended classification or wish to make better use of another.

In the first instance you are invited to register if you wish to participate in this initiative.  Please contact:

*Steve Gilbey*
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01707 281700

# Appendix A – Terms of Reference

The agreed Terms of Reference for this Collaborative Review, which were incorporated into the Quality Plan were to:

- Prepare the justification and outline business case for the adoption and deployment of a preferred common Procurement classification(s)

- Publish the evaluation model and weighted criteria required to evaluate and select any future Procurement classification

- Set out the advantages and disadvantages of a short list of Procurement classifications and document their suitability to support the business requirements of strategic Procurement

- Ascertain the views of other relevant organisations including CIPS, CIPFA, OGC, IDeA, and SOPO

- Recommend a preferred Procurement classification for management information, performance measurement and control purposes and the operational Procurement requirement in local Councils

- Produce a statement of how the preferred Procurement classification should be used from a business viewpoint

- Provide a corresponding statement of how the CedAr e5 Purchasing Management module will handle its implementation

- Provide indicative costs for maintaining the preferred classification

- Review the management issues, costs, advantages and disadvantages and alternatives of suppliers cross-referencing their own catalogue classification to the preferred Procurement classification

- Recommend the control and audit procedures needed to establish and maintain integrity and security, together with any ongoing advisory facilities and the resource implications

- Provide an outline guide to form the basis for operational procedures within Councils

- Identify how the Procurement classification can contribute to meeting other strategic objectives within the participating Councils

The Review does NOT:

- Provide a separate business case for each participating Council, recognising that they are at different issues, priorities and timescales

- Comment on the current contractual arrangements used by any of the participating Councils

- Comment on current IT systems set up at each Council with the exception of how classification issues are currently handled

- Provide a specification for acquiring any third party coding/classification service

- Comment on the validity of decisions to adopt standard Procurement classifications taken by other public or private sector bodies or organisations

# Appendix B – Evaluation Criteria & Scores

| Evaluation Criteria & Weightings | | CPV | UNSPSC | NSV |
|---|---|---|---|---|
| 1. | **Structure** (Priority, 16 points)<br><br>Length, logical hierarchy, meaningful/non-meaningful, duplications (headings/descriptions/codes), consistency | 4 | 10 | 13 |
| 2. | **Electronic Commerce** (Priority, 16 points)<br><br>Ability to support electronic transactions | 10 | 10 | 7 |
| 3. | **Coverag**e (5 points)<br><br>Number/types of codes used/stated purpose/generic or supplier specific/recognition by suppliers | 2 | 3 | 2 |
| 4. | **Ownership & Viability** (5 points)<br><br>Availability, restrictions on use and long term viability | 4 | 4 | 3 |
| 5. | **Cost** (5 points) *(Italics shows breakdown of score)*<br>Costs to access/use codes<br>Cost to amend or add codes/maintenance/other costs | 3<br>*1*<br>*2* | 3<br>*1*<br>*2* | 3<br>*2*<br>*1* |
| 6. | **Influence** (5 points)<br><br>Ability to influence code development and secure changes/existence of User Groups | 0 | 1 | 4 |
| 7. | **Supported by a 3rd Party Coding Service** (5 points)<br><br>Availability of a third party organisation(s) to undertake code allocation/use of suitably qualified or experienced people to undertake work/quality procedures | 2 | 3 | 4 |
| 8. | **Relevance** (Priority, 16 points)<br><br>Degree of fit to procurement profile/amount of amendment required/creation of new codes. Support Procurement reporting/performance measurement/aggregation opportunities/acquisition route navigation | 6 | 12 | 14 |
| 9. | **Service Levels** (5 points)<br><br>Length of time to get new codes or amend existing structures | 0 | 1 | 4 |
| 10. | **Quality Procedures** (5 points)<br><br>Classification methodology (documented) used, QA procedures, cleansing procedures, version control for releases | 2 | 1 | 4 |
| 11. | **Cross Referenceability** (Priority, 16 points)<br><br>Ability to cross reference to other classification structures in use – particularly CIPFA, VISA (P-cards) and CPV | 9 | 5 | 9 |
| | *TOTALS* | **42** | **53** | **67** |

# Appendix C – Strengths & Weaknesses of Shortlist

## CPV

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Structure**<br><br>Length, logical hierarchy, meaningful/non-meaningful, duplications (headings/descriptions/codes), consistency | None | Hierarchy no longer maintained making the code non meaningful<br><br>Weak on consistency and navigation given the manufacturing origins of the classification |
| **Electronic Commerce**<br><br>Ability to support electronic transactions | • Marketed as being designed for e-commerce and actually underpinning electronic transmissions of documents relating to the EU Public Procurement Directives<br><br>• Supported by most ERP solutions | • None |
| **Coverage**<br><br>Number/types of codes used/stated purpose/generic or supplier specific/recognition by suppliers | • Well recognised by suppliers<br><br>• Good coverage (8,000)<br><br>• Stable classification with few changes and releases | • Not likely to be adopted by suppliers for any purpose other than EU related |
| **Ownership & Viability**<br><br>Availability, restrictions on use and long term viability | • No restrictions on public use and definitely viable long term | • None |
| **Cost**<br><br>Costs to access/use codes and amend or add codes/maintenance/other costs | • Cost effective to access and maintain | • None |
| **Influence**<br><br>Ability to influence code development and secure changes/existence of User Groups | • None | • Very difficult to influence. Lobbying has to be done through UK Government and the change process is neither visible nor open to direct influence.<br><br>• No User Group |
| **Supported by a 3ʳᵈ Party Coding Service**<br><br>Availability of a third party organisation(s) to undertake code allocation/use of suitably qualified or experienced people to undertake work/quality procedures | • None | • None |

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Relevance**<br><br>Degree of fit to procurement profile/amount of amendment required/creation of new codes. Support Procurement reporting/performance measurement/aggregation opportunities/acquisition route navigation | • None | • Struggles with coverage on services<br><br>• Manufacturing pedigree means that products and services can appear in more than one area |
| **Service Levels**<br><br>Length of time to get new codes or amend existing structures | • None | • No service levels published – experience shows that it can take years to get changes publicised. For example, new version due for release in December 2003 was first publicised in 2001 |
| **Quality Procedures**<br><br>Classification methodology (documented) used, QA procedures, cleansing procedures, version control for releases | • Do consult and invite views on changes | • No feedback on outcomes on consultation or why changes have been made<br><br>• Not ISO 9001 |
| **Cross Referenceability**<br><br>Ability to cross reference to other classification structures in use – particularly CIPFA, VISA (P-cards) and CPV | • Provide codes for OJEU transactions | • Not cross referenced with any other classification structure |

## UNSPSC

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Structure**<br><br>Length, logical hierarchy, meaningful/non-meaningful, duplications (headings/descriptions/codes), consistency | • All parts of code are meaningful<br><br>• Hierarchy present<br><br>• Later versions significantly improved | • Heavy US influence<br><br>• Ability for organisations to make changes in the lower hierarchy – likely to cause longer term problems<br><br>• Limited capacity for expansion owing to two digit restriction (00 to 10) |
| **Electronic Commerce**<br><br>Ability to support electronic transactions | • Claimed to be an international standard and adopted by most e-Procurement vendors<br><br>• Supported by most ERP solutions<br><br>• Proposed by UK Govt as a standard for e-Procurement in September 2002 | • None |

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Coverage**<br><br>Number/types of codes used/stated purpose/generic or supplier specific/recognition by suppliers | • Good coverage (nearly 19,000 codes) | • Not likely to be adopted by suppliers outside those engaged in e- commerce<br><br>• Many releases, particularly after the merger with the D&B codes in October 2002. Significant changes being made, and may do for foreseeable future |
| **Ownership & Viability**<br><br>Availability, restrictions on use and long term viability | • Available from UN Website (although searching could be easier)<br><br>• No restrictions on public use and definitely viable long term | • Chequered history with merger with D&B codes in October 2002 |
| **Cost**<br><br>Costs to access/use codes and amend or add codes/maintenance/other costs | • Cost effective to access and maintain | • Could be cost involved to use codes in future according to UN Website |
| **Influence**<br><br>Ability to influence code development and secure changes/existence of User Groups | • None | • Difficult to influence. Requires joining specialist groups<br><br>• International aspect likely to cause problems for decision making and achieving consensus |
| **Supported by a 3<sup>rd</sup> Party Coding Service**<br><br>Availability of a third party organisation(s) to undertake code allocation/use of suitably qualified or experienced people to undertake work/quality procedures | • Supported by various commercial organisations that can provide a coding service | • None |
| **Relevance**<br><br>Degree of fit to procurement profile/amount of amendment required/creation of new codes. Support Procurement reporting/performance measurement/aggregation opportunities/acquisition route navigation | • Version 6.03 provides good fit to Council profile | • Regular changes (averaging every two months) providing problems for Version Control |
| **Service Levels**<br><br>Length of time to get new codes or amend existing structures | • None | • No service levels published – experience shows need for heavy involvement in international specialist groups to achieve results |

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Quality Procedures**<br><br>Classification methodology (documented) used, QA procedures, cleansing procedures, version control for releases | • None | • No response to questions on quality procedures.<br><br>• Not ISO 9001 |
| **Cross Referenceability**<br><br>Ability to cross reference to other classification structures in use – particularly CIPFA, VISA (P-cards) and CPV | • None | • D&B used to be cross-referenced to CPV. No plans to reinstate in the future (confirmed by UCC – June 2003) |

## NSV

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Structure**<br><br>Length, logical hierarchy, meaningful/non-meaningful, duplications (headings/descriptions/codes), consistency | • All alpha parts of code are meaningful providing a very easy navigation structure<br><br>• Logical hierarchy present with capacity for expansion and development<br><br>• Choice of adopting whole code or alpha hierarchy only | • Numeric elements of code not meaningful with too many codes at this level (500,000) if used for classification (instead of generic identification) |
| **Electronic Commerce**<br><br>Ability to support electronic transactions | • Can be supported by most ERP solutions. Some have been in place for nearly ten years (Oracle) | • Capable of supporting e-commerce but not as well known as CPV or UNSPSC |
| **Coverage**<br><br>Number/types of codes used/stated purpose/generic or supplier specific/recognition by suppliers | • Good coverage at alpha level (2,000 +)<br><br>• Capacity for expansion to 17,000 + at alpha level | • Details of services at lower level in the numeric element but could be accommodated in the alpha element |
| **Ownership & Viability**<br><br>Availability, restrictions on use and long term viability | • Owned by the Crown<br><br>• No restrictions on public use and definitely viable long term | • Management of classification transferred to private sector in 2000. Could suggest lack of Government commitment to it |
| **Cost**<br><br>Costs to access/use codes and amend or add codes/maintenance/other costs | • No cost to add/amend codes stand-alone<br><br>• All information available on CD Rom | • Need to subscribe to an annual service if a common approach is envisaged |
| **Influence**<br><br>Ability to influence code development and secure changes/existence of User Groups | • Very easy to influence. UK and Eire membership. Organisations can form sector specific Groups<br><br>• Active UK Central Government User Group already in existence | • None |

| Criteria | Strengths | Weaknesses |
|---|---|---|
| **Supported by a 3<sup>rd</sup> Party Coding Service**<br><br>Availability of a third party organisation(s) to undertake code allocation/use of suitably qualified or experienced people to undertake work/quality procedures | • Supported by various commercial organisations that can provide a coding service | • None |
| **Relevance**<br><br>Degree of fit to procurement profile/amount of amendment required/creation of new codes. Support Procurement reporting/performance measurement/aggregation opportunities/acquisition route navigation | • Ideally suited to UK Public Sector Procurement | • None |
| **Service Levels**<br><br>Length of time to get new codes or amend existing structures | • *Coding International* who manages the classification has a service level agreement. Changes can be made in as little as 24 hours at numeric level | • None |
| **Quality Procedures**<br><br>Classification methodology (documented) used, QA procedures, cleansing procedures, version control for releases | • Published Quality Policy (at 7 digit level) | • Not ISO 9001 |
| **Cross Referenceability**<br><br>Ability to cross reference to other classification structures in use – particularly CIPFA, VISA (P-cards) and CPV | • Cross referenced with CPV (at 7 digit level) and plans to cross reference with UNSPSC when UNSPSC becomes stable.<br><br>• Also cross reference to Merchant Category Group (not Code) for P-Cards at 7 digit level (e.g. NSV code: RHC0228<br><br>*Description: BUILDING MATERIALS; PROCUREMENT CARD, MERCHANT CATEGORY CODE, VISA CATEGORY NUMBER 2* | • None |

# Appendix D – Details of Shortlist and Rejected Classifications

## Shortlisted Classifications

| Code / Classification | Provider | Structure | Comments |
|---|---|---|---|
| **Common Procurement Vocabulary (CPV)** | European Commission<br><br>www.simap.eu.int | Eight digits plus check digit, e.g.<br><br>**15961100-3** equals Lager<br><br>• Used to be hierarchical, but discontinued in late 1990s.<br><br>• Some 8,000 codes available | Used for Public Sector EU reporting derived from the UN Common Procurement Classification (CPC). Now adopted as an EU standard for Public Sector Procurement. Featured heavily on the SIMAP Website and used to drive OJEU Notices |
| **United Nations Standard Products and Services Code (UNSPSC)** | United Nations Development Programme<br><br>www.unspcc.com | Eight digits, e.g.<br><br>**44.12.19.03** equals Pen refills<br><br>• Hierarchical structure<br><br>• Segment (2)<br><br>• Family (2)<br><br>• Class (2)<br><br>• Commodity (2)<br><br>• Approximately 19,000 codes available in Version 6.03 | The UNSPSC™ was developed jointly by the UNDP (United Nations Development Programme) and D&B (Dun & Bradstreet Corporation) in 1998. Came to an amicable agreement with ECCMA in October 2002 regarding the use of the rival Universal Standard Product and Services Classification (UNSPSC). The two structures will be gradually be unified into a single structure. Now run by the not for profit Uniform Code Council Inc. Heavy US content with frequent releases |
| **National Supplies Vocabulary (NSV)** | Crown Copyright, managed by Coding International<br><br>www.codingint.co.uk | Three alpha, four numeric, e.g.<br><br>**RGJ0116** equals<br><br>Paint, Gloss, Acrylic, 400ML, Green, Aerosol<br><br>• Three alpha characters are meaningful, the remainder are not<br><br>• Potential for 17,576 alpha codes to be available, but currently figure is over 2,000<br><br>• Some 500,000 Alpha Numeric codes on database<br><br>• Availability of bucket codes for low value items. | Devised by the NHS in the 1970s. Rationalised in the 1990s and used as the defacto standard by UK Government.<br><br>Some 18 Government departments paid the NSV Centre to coordinate their classification needs and undertake cross-references to other structures, such as CPV.<br><br>Still used by many NHS bodies but no longer controlled or coordinated as a national standard.<br><br>In 2003 the OGC decided to recommend using UNSPSC for e-procurement although most departments have stayed with NSV and the four Irish Health Boards have joined them. |

## Rejected Classifications

The collaborating Councils discussed and rejected the following classifications:

### *NATO*

- Too Defence orientated and unable to handle services

### *EAN*

- A selling code and unable to handle services

### *SIC*

- Economic activity based classification making it inappropriate to Procurement

### *CCTN*

- Very limited range of codes making the classification process far too generic

### *UNCCS*

- Difficulty in accessing codes on Website

- Old version of codes available cross referenced with obsolete CPV codes still containing dots

- Hybrid of UNSPSC and therefore likely to be superseded in the future

- Evidence suggest that the structure is only used by Crown Agents

### *Bespoke*

The Councils also rejected the bespoke approach. The investment cost and elapsed time to develop a new classification has been consistently shown as an unacceptable option. This advice was a consistent theme coming from both organisations using standard classifications with significant imperfections and those that have developed a bespoke classification service. In the case of the latter, they have pointed out that they would not proceed in the same way given the cost, time and organisational upheaval needed to develop a new classification.