

Derbyshire County Council

Policy and Procedures for the use of Limit Purchase Orders

Version History

Version	Date	Author	Reason	Approved by
1.0	12 th July 2013	T Emsley	First Draft	
1.1	23 rd July 2013	T Emsley	FOG & AP comments	
1.2	14 th August 2013	T Emsley	FOG & Hobs comments	
1.3	30 th August 2013			D Ashcroft Audit Services
1.4	30 th September 2013			P Handford Director of Finance
1.5	18 March 2016	T Emsley	Update	
1.6	31 March 2016	T Emsley	Reviewed by Chris Woodhouse	
1.7	1 April 2016			Approved by Chris Woodhouse (Finance Manager Procurement & Systems) Peter Handford (Director of Finance)
1.8	31 May 2019	D Clegg	Update as per audit recommendations May 2019	Tracey Emsley (Principle Procurement Officer)
1.9	18 May 2020	B Smithurst	Update following Audit report May 2020	Tracey Emsley (Principle Procurement Officer) Sept 2020

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DCC Policy and Procedures for the Use of Limit Purchase Orders

1. Definition

A limit order is a purchase order (PO) for goods/services with a single supplier (vendor) within a pre-defined value limit and covering a specified period of time. They are used to provide a vendor with a PO number that a section/department may use to order goods/services against on a recurring basis. Within the Council a limit order may also be referred to as a blanket or call-off order.

2. General Principles

The following general principles apply to the use of limit orders:

- Limit orders are only to be used where there is a contract* in place between DCC and the Vendor.
- Limit orders are useful when an item is ordered, and the exact cost is not known in advance because it is not possible to predict the quantity or the cost of the item that will ultimately be used. They are also useful for repeat services which have been contracted for a specified period of time at a fixed price and it is expected that invoices will be submitted for each separate delivery of goods/service within that contractual period but the exact frequency and value of each invoice is not known at the time of order.
- When a limit order is created, the account assignment (e.g. cost centre, work breakdown structure (WBS), plant maintenance order (PMO) or statistical internal order (SIO)), will usually be known and should be assigned to the order. However, there are instances when a limit order will be raised for items that need to be charged to several cost codes, but the exact allocation is not known at the time of the order. When this is the case, a limit order to an unknown account assignment may be created.

- Confirmation of goods receipts are entered by value rather than quantity and can be entered up to the Value Limit on the PO.
- Limit orders do not contain specific product information. This greatly reduces the Council's ability to analyse product information and therefore limit orders should only be used for goods/services of a generic nature e.g. Barristers fees, window cleaning, taxi journeys, food supplies, laundry services etc.
- The placing of limit orders must comply with the Council's Financial Regulations and approved corporate procurement procedures.
- The Core Business Systems Team reserves the right to monitor limit order usage and advise departmental Heads of Business Services or the relevant manager when limit orders are used incorrectly.

3. Restrictions

The following restrictions apply:

- Limit orders must not be created for utility bills and rates/rents.
- Limit orders must not be created for vendors which have an existing catalogue in OrderPoint.
- Limit orders must not be created for vendors where accurate prices for goods/services can be determined.
- Limit orders must not be created for non-contract vendors. DCC must hold a current contract* with the vendor for the supply of good/services to be supplied under the Limit Order.

4. Procedures

4.a Creation

A limit order must contain the following information:

- Inclusion of an account assignment if allocated to a single cost code i.e. cost centre, WBS, plant maintenance order (PMO) or statistical internal order (SIO).

- Text to identify it as a limit order together with a brief description of the goods/services e.g. “limit order for food supplies at the Whitehall Centre”.
- A product category according to the goods/services being ordered e.g. food and beverages.
- A Value Limit and an Expected Value. Please note that a Value Limit enables a provision to be made for unplanned costs; in all but exceptional circumstances this should not exceed the Expected Value by more than 10% without prior approval from the budget holder e.g. value limit £1,100/expected value £1,000.
- A specified period of the limit order e.g. 01.04.2020 to 31.03.2021.
- Name of the supplier (vendor) e.g. Holdsworth Food Service.
- Special instructions to the supplier (vendor) - see example text below:

Vendor Text

: 'Example Vendor Text'

This Limit Order relates to food supplies requested by the Whitehall Centre for the period 01.04.2020 - 31.03.2021.

Please make sure that all invoices relating to this order are sent to the Whitehall Centre for verification. Please make sure that this Purchase Order Number is quoted on your invoices; failure to do so will result in delayed payment of the invoice.

This Purchase Order replaces our previous order No.6500123456 which has now been closed.

OK Cancel

- A shopping cart name, e.g. limit order – Holdsworth Food.
- Approval Note – include as much detail as possible, including approval dates, contract number etc. see example text below:

Approval Note

This Limit Order has been raised against Contract No. CS1111 and has received budget holder approval from A. N. Other.

- The period a limit order relates to should not exceed the current financial year. There may be exceptional circumstances where limit orders span over a financial year end; in these exceptional cases prior approval must be

obtained from your accountancy teams before creating the limit order e.g. a service which relates to a school academic year or part of a capital build.

- Limit orders can be created to cover a period of up to 12 months (e.g. 1st April to 31st March). They can be created from the 3rd Monday in March onwards to cover a new financial year (e.g. 16th March 2020 to cover the financial year 2020/21). Limit Orders can become difficult to manage if excessive numbers of invoices are ultimately assigned to them; this should be taken into account when defining the period to which the limit order relates.
- It is essential that the Shopper continuously reviews all of their open limit orders and where appropriate instruct Accounts Payable to close down any limit orders that are no longer required to ensure that accurate budget monitoring can take place.

4.b Goods Receipting

Before invoices can be paid against a limit order, they need to be confirmed in OrderPoint. The following procedures must be followed when goods receipting limit orders:

- All invoices received must be checked for accuracy and verified that the goods/services have been received. It is the responsibility of budget managers to make sure appropriate verification procedures are in place to ensure invoices are checked prior to confirmation in OrderPoint.
- A confirmation name must be entered. The confirmation name field (see screenshot below) must include the supplier (vendor) name, invoice number and invoice date e.g. Holdsworth Inv. 12345, 01.04.2020. The invoice number should also be entered into the reference document field (as screenshot below) e.g. Inv. 12345

Create Confirmation

Confirm | Check | Close | Save | System Information | Create Memory Snapshot

Confirmation Number 3200482540 Purchase Order Number: 6500225011 Status In Process Confirmed Value 0.00 GBP

Overview Header Item Notes & Attachment Approval Tracking

Confirmation Name: Holdsworth Invoice 12345 01.04.2020 Reference Document: Inv. 12345

* Delivery Date: 01.04.2020

To confirm: Update the "Confirm Quantity" field or select the "Last Delivery" checkbox and choose "Confirm".

- The net total of the confirmation must be equal to the net of the invoice e.g. if the invoice is for £100 plus £20 VAT totalling £120, the net total of goods receipts must equal £100. **Please note that VAT is never included in the goods receipt total.**
- All invoices should display the correct PO number. If the PO number is not displayed it should be handwritten on the invoice together with the OrderPoint confirmation number relating to that invoice. Invoices should then be sent to Accounts Payable immediately.
- On receipt of the final invoice it is imperative that the last delivery box is ticked when goods receipting. This will ensure that no further activity can be undertaken against this limit order and costs are correctly charged to the ledger. **Please note that once the last delivery box is ticked the PO cannot be re-opened.**
- Goods receipted but not invoiced (GR/IR items) will be auto cleared in arrears on a six-month rolling basis.
- A report will be generated in September detailing all open limit orders relating to the period up to the end of February of the previous financial year. This will be circulated to departmental finance officers, Heads of Business Services or the relevant manager for review. If no further instruction is received Accounts Payable will automatically shut down all limit orders for the previous financial year on or shortly after the 30th September; this process also applies to other types of orders.

5. Reporting

Quarterly reporting of all limit orders raised per department will be undertaken by the Core Business Systems Team and circulated to finance officers, Heads of Business Services or the relevant manager for the purpose of monitoring and investigation. The following adherence to limit order policy will be reinforced for understanding:

- Limit orders are only to be used where there is a contract* in place between DCC and the Vendor for the goods/services to be supplied under the Limit Order.
- Limit orders must not be created for utility bills and rates/rents.
- Limit orders must not be created for vendors which have an existing catalogue in OrderPoint.
- Limit orders must not be created for vendors where accurate prices for goods/services can be determined.
- Limit orders must not be created for non-contract vendors where there is an existing corporate contract for the same or similar goods/services.

The Expected Value of a limit order should reflect anticipated spend for the period. The Value Limit of the limit order should be no more than 10% of the Expected Value without prior approval of the budget holder.

6. Limit Order Policy Review

A periodic review of this document will be undertaken annually to ensure the policy is appropriate and in line with wider Council policies and updated operational and system procedures.

7. Additional Guidance

- * For the purpose of this Policy a contract is deemed to in place where a procurement exercise has taken place which complies with the current DCC Financial Regulations; a record of this process has been retained for audit purposes; and noted within the Approval Notes on the Shopping Cart.

Where there is a corporate contract in place with the vendor then the contract reference number should also be noted within the Approval Notes on the Shopping Cart, as per the example given in section 4a.

If you have any questions with regard to this Limit Order Policy, please contact the OrderPoint Team: SAP.OrderPoint@derbyshire.gov.uk.

If you have any questions with regard to contracts and agreements held between DCC and our vendors, then please contact the County Procurement Team: Procurement.Mailbox@derbyshire.gov.uk, or your own departmental commissioning units.

Below is a link to further guidance documents on Our Derbyshire on how to create and goods receipt limit orders: <https://staff.derbyshire.gov.uk/secure-area/working-here/sap/guidance/orderpoint/shoppers/sap-orderpoint-for-shoppers-guidance.aspx>