

# PURCHASE ORDER EXEMPTION POLICY

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## Document Control - Change Record

Date	Author	Version	Change reference
18/03/15	Joanna Smith	V1	Final
27/05/15	Joanna Smith	V2	Addition of exemption codes EX036, EX037 and EX038
04/03/16	Lisa Moore	V3	Addition of EX039 and annual review

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## **Policy Statement**

The procurement of goods and services for and/or by the City of London Corporation must comply with the City of London Financial Regulations, Procurement Code, and associated procurement policies.

This document establishes the circumstances where Purchase Orders **are not required** for goods and/or services prior to the receipt and payment of an invoice.

## **Introduction**

The objective of this policy is to ensure prompt payment to suppliers and to minimise non-compliance with City of London and department requirements.

This policy identifies items or particular categories of expenditure where it has been agreed that they are exempt from requiring the creation of a supporting purchase order. For an item to be considered to be exempt, it will be presented to the City Procurement Steering Group for review.

Any item or category of expenditure deemed to be exempt from requiring a Purchase Order will be reviewed on a regular basis, and the approved exemption list will be amended as required.

The decision to apply the Purchase Order Exemption Policy to any item or category of expenditure at a departmental level is not mandatory. Where an exemption has been agreed, it is the responsibility of each department to decide whether or not to apply the policy in their area. For example, should a department wish to monitor their budgets in more detail by creating purchase orders, despite the item being included within the exempt list, they are able to do so.

## **Exemption from the creation of a supporting Purchase Order**

Whilst it is possible to raise a purchase order for all requirements, and in best practice this would be adhered to across all categories of spend, this policy accepts that in certain situations a particular item or category of expenditure will be considered to be exempt.

Purchase orders remain important in ensuring that all financial commitments are correctly recorded within the finance system, as this enables budgetary controls to be maintained by management.

A purchase order provides many benefits to the organisation:

- A clearly defined description of the item or service required, confirming:
  - Price
  - Description of goods or service required
  - Delivery date / project duration
  - Quality specification
  - Quantity
- A contract of purchase should there be no specific contract for this purchase, providing legal protection in the event that something goes wrong;
- Financial commitment within the budgeting finance system;
- Management review opportunity to approve or reject the request to proceed with the expenditure before the commitment is placed with the supplier;

- The ability to process the invoice faster as invoices with a supporting Purchase Order can be processed as e-Invoices:
  - Reduced manual intervention
  - Ability to maintain payment targets for SMEs
  - Reduced processing costs to the organisation

### **Amending a purchase order**

The limit for amending existing purchase orders has now been removed (previously limited to 20%). With immediate effect, when you request to amend the amount of a purchase order, the system will send it for re-approval, so that budget holders are aware of the commitment. To increase an existing purchase order, please contact the City Procurement Operations Team at [CityProc.Operations@cityoflondon.gov.uk](mailto:CityProc.Operations@cityoflondon.gov.uk).

## **Purchase Order Exemption List**

### **How do exemption codes work?**

When placing orders with suppliers for exempt goods/services, the supplier should be given a valid exemption code (e.g. EX012) to quote on their invoice instead of a PO number. Please see the attached policy for a complete list of the exemption codes. If a purchase order or exemption code is not quoted on the invoice it will be returned to the supplier to ask for a purchase order or exemption code. An exception to this will be made where the invoice is for rent, rates, utilities or certain services where Accounts Payable are aware that the supplier will not be able to quote an exemption code. Please liaise with city procurement if you believe your exempt item should be included in this category. The Accounts Payable team will verify that the exemption code is relevant to all spend on receipt of the invoice.

Although all exemptions will be subject to regular review, review periods of 6 or 12 months have been included for exemptions where we will be looking to implement improvements with the aim of supporting the creation of purchase orders for these items in the future.

### **Purchase Order Exemptions**

Below is a list of approved purchase order exemptions.

<b>Property</b>	<b>Exemption Code</b>	<b>Review</b>
Property rent (including peppercorn rents)	EX001	-
Property rates (including service charge and council tax)	EX002	-
Planning Application	EX003	-
Stamp Duty Land Returns	EX004	-
Statutory Licenses	EX039	-
<b>HMRC Payments</b>	<b>Exemption Code</b>	<b>Review</b>

VAT Payments made directly to HMRC	EX005	-
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<b>Insurance and Claim Payments</b>	<b>Exemption Code</b>	<b>Review</b>
All settlement payments relating to claims made against the City of London including public liability claims and police vehicle repair claims (within CoL jurisdiction).	EX006	-

<b>Exclusive Rights</b>	<b>Exemption Code</b>	<b>Review</b>
REMOVED (Copyright)	EX007	REMOVED

<b>Professional Fees</b>	<b>Exemption Code</b>	<b>Review</b>
Legal counsel and advice fees	EX008	-
Medical report or consultation fees for General Practitioners appointed by City of London Police or Occupational Health services	EX009	-
Independent Registered Medical Practitioner fees for IRMPs appointed by Occupational Health	EX010	-
Expert witnesses	EX011	-
Contingent Fees whereby payment is dependent on specified results or outcomes	EX012	-
Food, water and shellfish sample testing fees	EX013	-
Fund Manager Fees	EX014	-

<b>Other Payments</b>	<b>Exemption Code</b>	<b>Review</b>
Performance / concert settlement fees	EX015	-
Magazine and newspaper subscriptions	EX016	-
Corporate membership with a professional body (not individual membership)	EX017	-
Staff season tickets	EX018	-

Comensura (temporary staff)	EX019	-
Tenants Association Promotion Payments (Markets only)	EX020	-
REMOVED (Escrow agreements for software licenses)	EX021	REMOVED

Schools	Exemption Code	Review
School trips and visits for students inclusive of coach travel	EX022	6 months
School tutors (individuals only)	EX023	12 months
REMOVED (School examination fees)	EX024	REMOVED
Freemen's School Events and Catering	EX038	-

Services and Contracts	Exemption Code	Review
Utility services	EX025	-
Mobile telephone and communications call and line rental payments (not equipment or hardware)	EX026	-
Novated contracts (must be on a one-off basis)	EX027	-
Externally funded projects	EX028	-
Guildhall Improvement Project	EX029	-
Agility Engineering stock system	EX030	-
Barbican Retail stock system	EX031	-
Residential placements	EX032	-
Police Interpreters	EX036	-
Barbican / Guildhall School and Corporate Catering (ISS only)	EX037	-

<b>Chamberlains Court, Mayoralty and Remembrancer's</b>	<b>Exemption Code</b>	<b>Review</b>
Foreign and Commonwealth Office payments	EX033	-
Diplomatic Gifts	EX034	-
City of London Independent Tour Guides	EX035	-

**\*Review Dates**

6 months – 30<sup>th</sup> September 2016

12 months – 31<sup>st</sup> March 2017

### **Alternative Payments**

A number of items are not paid through Accounts Payable and therefore will not require a Purchase Order. No exemption code is required for these items and the appropriate payment route is shown.

<b>Item</b>	<b>Description</b>	<b>Payment Route</b>
Payroll	All payments to employed staff	Payroll
Pension payments	Monthly payments and lump sum payments	Payroll
Individual membership with a professional body	For example, CIPFA, CIPS	City People
Expenses – staff	All staff expenses	City People
Expenses - Interviewees	Expenses incurred by candidates who attend an interview	TBC

The items below are paid without an invoice; therefore the payment is processed using a Payment Request Form.

<b>Item</b>	<b>Description</b>	<b>Payment Route</b>
Imprest payments	Top up of Imprest bank account for petty cash	Payment Request Form
Grant payments	For example, payments from City Bridge Trust	Payment Request Form
Charitable donations	All donations	Payment Request Form
Loans	For example, the Samuel Wilsons Loan Trust	Payment Request Form
Payments on behalf of any organisation where we act as treasurer	For example, Microsoft Shared Learning Group, City of London Archaeological Trust	Payment Request Form
Housing benefit payments	Payments for individuals receiving housing benefit	Payment Request Form
Refund payments	Rates, rent, students, s106 and s278	Payment Request Form or Revenue Collection Group Form

## Reviews

**31<sup>st</sup> March 2016**

These revisions will become effective once approved by Finance Committee.

<b>Exemption</b>		<b>Agreed Action</b>
EX007	Copyright	To be removed
EX008	Legal counsel and advice fees	To remain as exemption under general review
EX012	Contingent Fees whereby payment is dependent on specified results or outcomes	To remain as exemption under general review
EX016	Magazine and newspaper subscriptions	To remain as exemption under general review
EX017	Corporate membership with a professional body (not individual membership)	To remain as exemption under general review
EX019	Comensura (temporary staff)	To remain as exemption under general review
EX021	Escrow agreements for software licenses	To be removed
EX022	School trips and visits for students inclusive of coach travel	To be reviewed in 6 months once contract is in place
EX023	School tutors (individuals only)	This exemption has been amended to apply for individual payments only
EX025	Utility services	To remain as exemption under general review
EX026	Mobile telephone and communications call and line rental payments (not equipment or hardware)	To remain as exemption under general review
EX024	School examination fees	To be removed
EX029	Guildhall Improvement Project	To be removed at the close of project as per Kate Limna
EX030	Agility Engineering stock system	To remain as exemption under general review
EX031	Barbican Retail stock system	To remain as exemption under general review
EX032	Residential placements	To remain as exemption under general review
EX036	Police Interpreters	To remain as exemption under general review
EX037	Barbican / Guildhall School and Corporate Catering (ISS only)	To remain as exemption under general review
EX038	Freemen's School Events and Catering	To remain as exemption under general review
EX039	Statutory Licenses	New exemption code subject to general review