

CALL-OFF ORDERS : Awareness of call-off orders and their use

WHAT IS A CALL-OFF ORDER ?

A Call-off Order is an order created to cover multiple supplies or deliveries from a single company.

A Call-off order may be applied in the following circumstances :

- For a medium / long / regular term supply of the same services from the same supplier
- For regular, multiple deliveries to a range of dispersed sites
- An unknown future delivery schedule
- Where precise volumes or values are not known until after delivery
- Where delivery and packing charges or supplier discounts, regularly affect final prices
- A different legal contract exists with the supplier and the order is raised internally for control purposes only
- Where there is a proven need to reduce document processing (reduce quantity of invoices through consolidated billing etc)

An order of this type can only be placed after the appropriate procurement requirements have been satisfied.

TYPICAL APPLICATIONS

Typically a Call-off order could relate to the following categories of supply :

- Construction, building or repair work
- Servicing or maintenance contracts (e.g. plant or equipment)
- Call out services (e.g. envisaged emergency work)
- Service / Licence agreements paid in instalments (e.g. monthly / quarterly)
- Supply of low value, high volume consumables (materials, food, scientific gases)
- Critical supplies (order /approval system may not enable a quick re-supply)
- For supplies that need to be recharged to a range of cost centres

CONSIDERATIONS

- Raising non-standard orders (call-offs) requires the endorsement of your faculty procurement officer.
- Consider the overall value of your engagement with a supplier over a foreseeable term. A supply over 1, 2, 3 or more continuous years will determine the procurement / tender process (under University and EU financial thresholds).

- Do not reveal the call-off order's value to supplier where there is a contract specifying this separately, or where the final value of supply is not fully known in advance (however prices of goods / items / terms must always be pre-agreed).
- The process allows consolidated receipting (but keep evidence such as individual delivery notes or other records)
- Call-off orders also allow consolidated billing (removes the complication of multiple line orders and multiple receipt matching issues)
- If recharging costs (to other codes), consider the overhead of trying to split code an invoice (and the subsequent matching and data entry needed). Consider the faster processing of a consolidated invoice and the use of pre-formatted journal templates to create a recharge.
- With the exception of projects, you must close down call-off orders each year.
- Once raised, receipting against a call-off order may be requested by more than one member of staff – the use and control of Call-off orders must be defined / made clear locally.

CREATING THE CALL-OFF ORDER

At present only there is one order type available within the Oracle system.

Creating the Call-Off Order

- To create a Call-off order, the user (requisitioner) has to reverse the way in which the quantity and price are entered.

As an example, a call-off order to supply £200k worth of services, would be entered as 200k units (Units of Measure) at a price of £1 each.

- This allows the call-off and receipting of part deliveries, without the risk of order closure or extra order lines.
- The approver must ensure that they are satisfied with a request to create a call-off order, the procurement path taken and value and period of supply.
- The approver must also be satisfied that local monitoring and control systems are place both internally and with the supplier.
- Accounts Payable need to be made aware of any call-off orders for your area (via a purchasing school list)

Order values

Even though the exact volume, value or precise timing of deliveries during the year (for example for building materials, or laboratory gases) may not be known, the following should be considered :

- Careful estimating and justification is still needed when setting a call-off order's commitment value.
- An estimated profiling of spend over the year will be required as part of the accounts process.

- You should also use your Call-off order values as a clear 'budget' for that supply and/or supplier.
- Ensure the value of each Call-off order is in keeping with your overall expenditure budget.
- You may consider using a series of Call-off orders to cover different supply points or particular periods.

However, you may wish to consider any problems or confusion this may cause with the supplier and during the subsequent matching of invoices to orders, during the course of a year.

ORDER OPTIONS

The *Procurement To Payment* process is the correct method for most purchases.

Where justified by a risk evaluation and with supporting reconciliation systems in place , other options (which will need procurement / financial approval) may include :

Pre-Receipting Orders

- Call-off orders could be pre-receipted (but only in exceptional and controlled/monitored circumstances). *(For orders set to three way matching, invoices will be matched to the order and will automatically move to the payment stage).*

Two way matching

- Suppliers can be set up to "Two Way Matching", which means that all subsequent invoices matched to a valid order do not require receipt and will move directly to the payment stage. Receipting reconciliations still need to be completed to update the order's status.

Annual or monthly Invoicing for regular services

- For fixed charges (such a licence or regular maintenance plan), block invoicing may be effective.

Annual Billing, but paid in instalments (requires discussion with AP / Supplier)

- A variation on consolidating an annual charge, is to agree with the supplier that the invoice is paid in instalments; in many cases this can be facilitated by AP.

Upfront payment of critical supplies

- This must only be undertaken where the purchaser has control over delivery frequency and can carefully monitor the quantities supplied and is prepared to carefully reconcile the process.

Use of purchasing cards

- By agreement with Procurement / Finance and the supplier, procurement cards could be used for regular supplies, but note that there is still a reconciliation process to be undertaken.
- *In all cases the risk issues (financial and exposure to company liquidation) must be transparently considered and agreed with the parties mentioned above.*
- *In all cases of advance payment, a robust and secure method of reconciling transactions and queries must be in place. Reconciliations must occur at least monthly.*