



Authorisation for Expenditure (AFE) Procedure

Approved: _____
Chair

Finance Director

Date: 23rd March 2014

It is Company Policy that all expenditure (which covers P&L costs, capital expenditure and major repairs funded from reserves) be appropriately authorised. The application of this policy will be as follows:

1. Most expenditure must be appropriately authorised **before** any commitment to a third party is made.

This procedure excludes only:

- Business expenses and associated costs, and travel, which are subject to the travel policy procedures.
- Certain on-going facility costs i.e. telephones, electricity, gas, water, emergency repairs.

The above expenditure will be approved on presentation of expense reports and on receipt of invoices respectively.

This procedure **includes** legal fees, audit fees, consultancy fees and services.

2. Expenditure must be authorised **by project**.

Example: If it is planned to undertake major repair work, the total cost of the repairs must be included in the AFE. This could include, for example, surveyor fees, the cost of each contractor, inspection and cleaning.

3. Contracts:

- The amount of the expenditure to be authorised is calculated as the annual contract payments multiplied by the envisaged contract term.

4. Authorisation for expenditure may be done on one of two documents:
- For small (< £ 100) amounts where we do not have a supplier account set up for the payee and it is not worth setting up such an account – Cheque Requisition Form approved (signed) by the budget holder. (This form may also be used when the payment will be made bank transfer rather than by cheque.)

Example: Office supplies.

For all other expenditure an AFE form must be completed.

5. Competitive quotes: It is Company policy that all purchasing be subject to competitive quotes. This policy is to ensure that the Company uses its limited resources as efficiently as possible.
- For one-off expenditure over £1,000, the person requesting the expenditure is required to supply three competitive quotes from different suppliers.
 - For one-off expenditure under £1,000, evidence must be produced that the purchase is being done at competitive pricing. This can be achieved, for example, by showing comparatives to website adverts.
 - It is recognised that it may be unreasonable to have to continually request quotes for purchases of goods or services. In such situations, the purchaser is required to show that his or her suppliers are “put to the test” at least once every 12 months, and that the supplier is found to be competitive and offering an excellent standard of service. This procedure should be applied to all the Company’s regular suppliers and consultants.
 - Where services such accountancy, tax or legal services are being sought, then an estimate of the costs must be obtained from the service provider and submitted with the AFE.

6. Payment terms: The standard payment terms of VHMC are 30 days end of month.

All suppliers must be made aware of and agree these payment terms.

Exceptions must be approved by the Company’s Finance Director before the purchase is contracted for.

7. Approval: See the Authorisation Levels sheet.

8. Actual expenditure may exceed the amount on the AFE by up to 10% without approval.

If the expenditure exceeds the 10 % variance limit, then AFE needs to be updated, the variance explained, and then re-submitted through the same approval process.

9. The responsibility for the strict application of this procedure rests with the Chair and the Finance Director of VHMC.



Authorisation Levels for Commitment to Expenditure

| Authorisation Level | One-off purchase requisitions | Non-recurrent Services / Emergency Requisitions | Contracted Services (Note 1) | Expenditure from Reserves |
|---|-------------------------------|---|------------------------------|---------------------------|
| Budgeted expenditure | | | | |
| Board | Over £2,000 | Over £10,000 | All | All |
| Chair, relevant director and Finance Director | N/A | Up to £10,000 | | |
| Chair and relevant director | Up to £2,000 | Up to £5,000 | | |
| Chair | | | | |
| Relevant director | | | | |
| Managing Agent | Up to £500 | Up to £500 | | |
| | | | | |
| Non-Budgeted expenditure | | | | |
| Board | Over £1,000 | Over £5,000 | All | All |
| Chair, relevant director and Finance Director | Up to £1,000 | Up to £5,000 | | |

Note 1: Contracted Services includes annual contract reviews for utilities.

Note 2: The above figures include VAT.

