

## **AUTHORISATION OF EXPENDITURE**

### **A. Policy**

- A.1 SWHA's Management Committee approves its budget at the beginning of the financial year. SWHA therefore, has the authority to spend up to its budget limit without the need for further Management Committee approval. Exceptions to this is where the Management Committee has approved a budget but states that it wants to give specific approval to any expenditure.
- A.2 Although SWHA can spend up to its approved budget, it must do so in a manner that ensures it obtains value for money. It must also manage its expenditure to ensure that budget limits are not exceeded without approval, and adopt procedures that reduce its exposure to fraud and unauthorised expenditure. It is also SWHA policy to be consistent in the approval levels given to various budget holders.

### **B. Procedure**

- B.1 This procedure applies to all budgets listed in Appendix 1. Additional requirements for Development capital expenditure, Maintenance routine and planned expenditure are given below. Salaries are dealt with under a separate procedure.

#### ***B.1 Authorisation levels***

- B.I.1 All budget holders must contain expenditure within the approved levels. The current list of budget holders is attached to this procedure at Appendix 1. Budget holders may change from time to time. The Finance Section will issue revised lists of budget holders when necessary.
- B.I.2 Delegated authority to commit expenditure is as follows:
- a) Under £500.00 and within budget. The budget holder is required to sanction the expenditure.
  - b) Between £500 and £5,000 and within budget. The budget holder and one other section or group member are required to sanction the expenditure.
  - c) Over £5,000 and within budget. As b. above plus Operations Group (OG) approval is required to sanction the expenditure.

## ***B.II Administration***

B.II.1 Budget holders must keep together, correspondence and paper work for their budgets for a particular year. It is up to budget holders how this is done but two suggestions are:

- a) If the budget generates a lot of paper work in any one year then have one file per budget year.
- b) If the budget generates very little paperwork in one year then you could have one file for the budget that has file dividers for the different years.

B.II.2 Budget holders must maintain a summary sheet for their budget. This will contain the total approved budget for the year and a running total of expenditure incurred to date.

## ***B.III Authorising Expenditure & Payment***

B.III.1 Delegated authority for budget expenditure can be divided into two parts. Firstly, the authority to place an order. Secondly, to authorise payment.

### ***B.III.a. Authorising Expenditure***

A.I.a.1 Before expenditure is committed and order placed the budget authorisation form (Appendix 2) must be completed, signed as in 2.2.2 above and put on the budget file. Once this has been done, the budget holder may order the goods or service.

A.I.a.2 In signing the budget authorisation form all signatories are certifying that to the best of their knowledge the goods or services to be ordered are:

- a) Value for money;
- b) Will help SWHA meets the objectives in its Business Plan.
- c) That the expenditure incurred will not result in the budget being exceeded;
- d) That the expenditure incurred will not result in SWHA's overall Revenue Budget being exceeded;
- e) That the items to be purchased are within the budget terms. For example, the form should not be signed if computer software is being bought under a budget for travelling expenses.

***B.III.b. Authorising Payment***

- B.III.b.1 When budget holders receive invoices for goods or services ordered they should reconcile it with the authorisation form and any additional paperwork. Budget holders should satisfy themselves:
- a) That the goods or services on the invoice correspond to the order;
  - b) That the goods or services ordered have been received in satisfactory condition;
  - c) That the price on the on the invoice is not higher than the amount authorised.
- B.III.b.2 Where the budget holder cannot satisfy himself or herself that these conditions have been met, they should contact the supplier to resolve any discrepancies.
- B.III.b.3 If the budget holder is satisfied that that the invoice should be paid s/he should stamp the invoice with the authorisation stamp and sign the invoice and budget expenditure form in the spaces provided.
- B.III.b.4 The budget holder is responsible for ensuring that the correct numbers of signatories authorise both the invoice and the expenditure authorisation form for payment. Signatures required to authorise payment is the same as to commit expenditure (see B.I). That is:
- a) Under £500 – The budget holder
  - b) Between £500 and £5,000 – The budget holder and another section/group member
  - c) Over £5,000 – As (b) plus the OG.

***B.IV Increase in Costs***

- B.IV.1 There will be cases where the invoiced cost is greater than the authorised cost. If the budget holder regards the increase in cost as not justified then s/he should take this up with the supplier. If the budget holder believes that the increase in costs is justified then s/he should state the reasons on the budget expenditure form. If the increase cost result in the authorisation levels being breached then the budget holder should get the invoice authorised as in B.III.b.4 before passing the invoice for payment.
- B.IV.2 For example, an order is place for goods costing £4,500. Only two signatures are required. When the invoiced is received, there is an increase in cost to £5,300. If the increase is justified then the budget holder should state the reasons for the increase and get the OG to approve payment.

- B.IV.3 Budget holders should make every effort to find out if costs are going to increase and get the appropriate approvals before the invoice is received.

### ***B.V Exceptions***

- B.V.1 It may not be efficient or practical for some budget holders to follow this procedure totally. For example, it is not expected that Budget Authorisation Forms be completed before travelling expenses are incurred.
- B.V.2 In cases where using this procedure is not practical budget holders are reminded to follow these principles:
- i) Get OG approval where this procedure is not to be followed.
  - ii) Keep all paperwork for a budget in a particular year in one file.
  - iii) Keep a running total of expenditure incurred to date on file.

### ***B.VI Authorisation to exceed budget limits***

- B.VI.1 It may become necessary to exceed budget limits. No budget holder should exceed his/her budget limit without proper authorisation. The authorisation levels are as follows:
- a) If the expenditure is important and urgent and will not exceed the budget limit by more than £5,000, then the OG has the authority to approve the expenditure. The budget holder must submit a report to the OG stating why SWHA will be seriously disadvantaged if approval is deferred to the next Workers Meeting (WM). The OG will report this to the next Workers Meeting. The OG can only approve the expenditure if approval does not break SWHA's overall Revenue Budget.
  - b) If the expenditure is not important and urgent and will not exceed the budget by £5,000, then the WM has to give its approval before the budget is exceeded. The budget holder must submit the request to exceed their budget giving reasons to the OG. The OG will make a recommendation to the WM.
  - c) If the expenditure will result in the budget being exceeded by more than £5,000, then the MC must give its approval before the expenditure is incurred. The budget holder will send a report to the OG stating what the expenditure is for, why the budget has to be exceeded, and how much it will be exceeded by. The OG will consider the report and make a recommendation to the Workers Meeting (WM). If the WM approves the expenditure, it will send a report to that effect to the MC for final approval.
- B.VI.2 All instances of approved budgets being exceeded must be reported to the Management Committee at the earliest opportunity.

### ***B.VII Routine and Planned Maintenance Expenditure***

- B.VII.1 The Budget Expenditure Authorisation Form will not be used for this type of expenditure because the computer software used generates its own orders. The authorisation levels are:
- a) Up to £1,500 One maintenance worker
  - b) Between £1,500 and £5,000 Two maintenance workers
  - c) Over £5,000 Two maintenance workers plus OG
- B.VII.2 Orders up to £1,500 will be kept electronically. A hard copy does not need to be kept on the property file. A hard copy of all orders over £1,500 will be kept on the property file with the correct number of signatories.
- B.VII.3 Invoices will be stamped and authorised as in B.VII.1 before being passed for payment. These invoices will not need to be kept on the property file, as they are easily accessible in Finance. Any increase in cost should be dealt with as in B.IV.

### ***B.VIII Development Capital Expenditure***

- B.VIII.1 All schemes must be developed within the financial parameters set by the Management Committee. Scheme appraisals will be sent to the OG showing clearly the estimated acquisition, works and on-cost for a scheme. This report will also state the sources of funding for the scheme and whether these have been secured or not. Finally, the report will state any divergence from the financial parameters approved by the Management Committee. If the OG approves the cost then the OG Co-ordinator (not the development rep) will sign and date the appraisal.
- B.VIII.2 If the scheme costs exceed the approved levels then information in B.IV.1 above will have to be re-submitted to the OG with the new figures. If any scheme will break the Committee approved parameters then it will have to go to the MC for approval.
- B.VIII.3 Invoices received for approved schemes will be checked initially by the development worker managing the scheme. If the invoice is correct it will be stamped and sent to the Development Finance Worker for countersigning before being passed for payment.
- B.VIII.4 When properties are being purchased Development will send to Finance the following information:
- a) MC approval of the purchase if necessary
  - b) A copy of the OG approved scheme appraisal separately identifying the purchase cost.
  - c) A completed land-banking checklist if the purchase is a land- bank purchase.

- d) Confirmation from Solicitors of the purchase exchange and completion dates and the purchase price.

**B.VIII.5 Authorization levels for land purchases are:**

- a) Land Price under or at £500,000 – Two Development Workers
- b) Land Price over £500,000 – As a. above plus one Finance Worker
- c) Land price over £1,000,000 – As c. above plus the Chairperson of the MC

**C. Temporary Staff**

C.1 This procedure will not automatically apply to temporary staff. If a section would like a temporary employee to be able to commit expenditure or authorise payments, they must make a specific request to the OG. This request must state the authorisation levels that would apply to the temporary employee. This level cannot exceed the authorisation levels given under this procedure to permanent staff.

C.2 The OG will consider the request and make a decision on it.

**D. OG Approvals**

D.1 The OG will maintain a register of all its significant decisions. This register will be used to record the following decisions made under this procedure:

D.2 Where the OG approves expenditure it shall record in the register:

- a) The section of the register will be headed “Expenditure Authorisation”.
- b) The budget name and account number
- c) The budget holders name and other signatories.
- d) The amount of expenditure
- e) Brief description of goods or services to be ordered.

D.3 Where the OG approves a development scheme the OG convener (the Deputy if s/he is a development worker) will sign and date the appraisal. The register shall record the following:

- a) The section of the register will be headed “Scheme approval”.
- b) The budget name and account number.
- c) The scheme name and address.
- d) The total scheme costs

## **E. Policy and Procedure Changes**

- E.1 All workers are encouraged to suggest amendments to this policy in the light of experience. Suggestions should be sent to the OG.