



PURCHASING AND EXPENDITURE POLICY

QUICK REFERENCE KEY POINTS

Authorising Limits – Page 2	<p>Expenditure above a certain monetary threshold, requires sign-off by the following:</p> <p>Up to £1,000 – Head of Business / Marketing Manager</p> <p>£1,001 - £5,000 – Brand Director / Head of Group Accounts</p> <p>£5,001 and above – Operations Director and Managing Director</p>
Purchase Orders – Page 2 to 4	<p>Purchase Orders are explicitly required for the following purchases:</p> <p>Fixed Assets Marketing Purchases over £1000 that are not required in the day-to-day operation of the site.</p>
Company Credit Cards - Page 5 to 6	<p>Company Credit Cards have a single transaction limit of £1000</p>
Petty Cash – Page 6	<p>Transactions under £50 can be made through the petty cash system.</p>
Out of Pocket Expenses – Page 6 to Page 8	<p>‘Out of pocket’ purchasing should not be used as a routine ‘emergency’ alternative option.</p> <p>Employees will be reimbursed for travel, accommodation & subsistence if it is wholly, exclusively and necessarily incurred in order to perform business activities</p>
Contract Authority – Page 8	<p>Only those employees given explicit written authority by the board of directors may execute purchasing agreements</p>



PURCHASING AND EXPENDITURE POLICY

The purpose of this policy is to guide the user to select the correct procedure in ensuring the purchase of the goods or services that they need to carry out are done in the correct way.

Authorising Limits

These limits are applicable to all purchases and expenditure excluding that which is required in the day-to-day operation of the site.

Expenditure above a certain monetary threshold, requires sign-off by the following:

Up to £1,000 – Head of Business / Marketing Manager

£1,001 - £5,000 – Brand Director / Head of Group Accounts

£5,001 and above – Operations Director and Managing Director

Persons with commitment, spending and signing authority as outlined above have the following responsibilities:

- Ensure that funds have been provided in the approved budget for the proposed expenditures and that the purchase will not result in a budget over spend
- Ensure that the appropriate level of approval has been obtained for the contract
- Be aware of and follow up on any financial and other benefits that are expected to flow to the Group as a result of the contract

Purchase orders

Purchase orders raised by the accounts dept. are the principal mechanism for the purchase of goods, services and works over £1000 in the Group. By sending a purchase order to a supplier, Startin Group is effectively entering into a contract with that supplier.

If a contract or terms other than the Groups standard terms and conditions are to be used, these must have been approved and signed by the Head of Group Accounts prior to the purchase order being raised.

The resulting contract should be clearly referenced in the purchase order description to make it clear that these are the terms that apply.

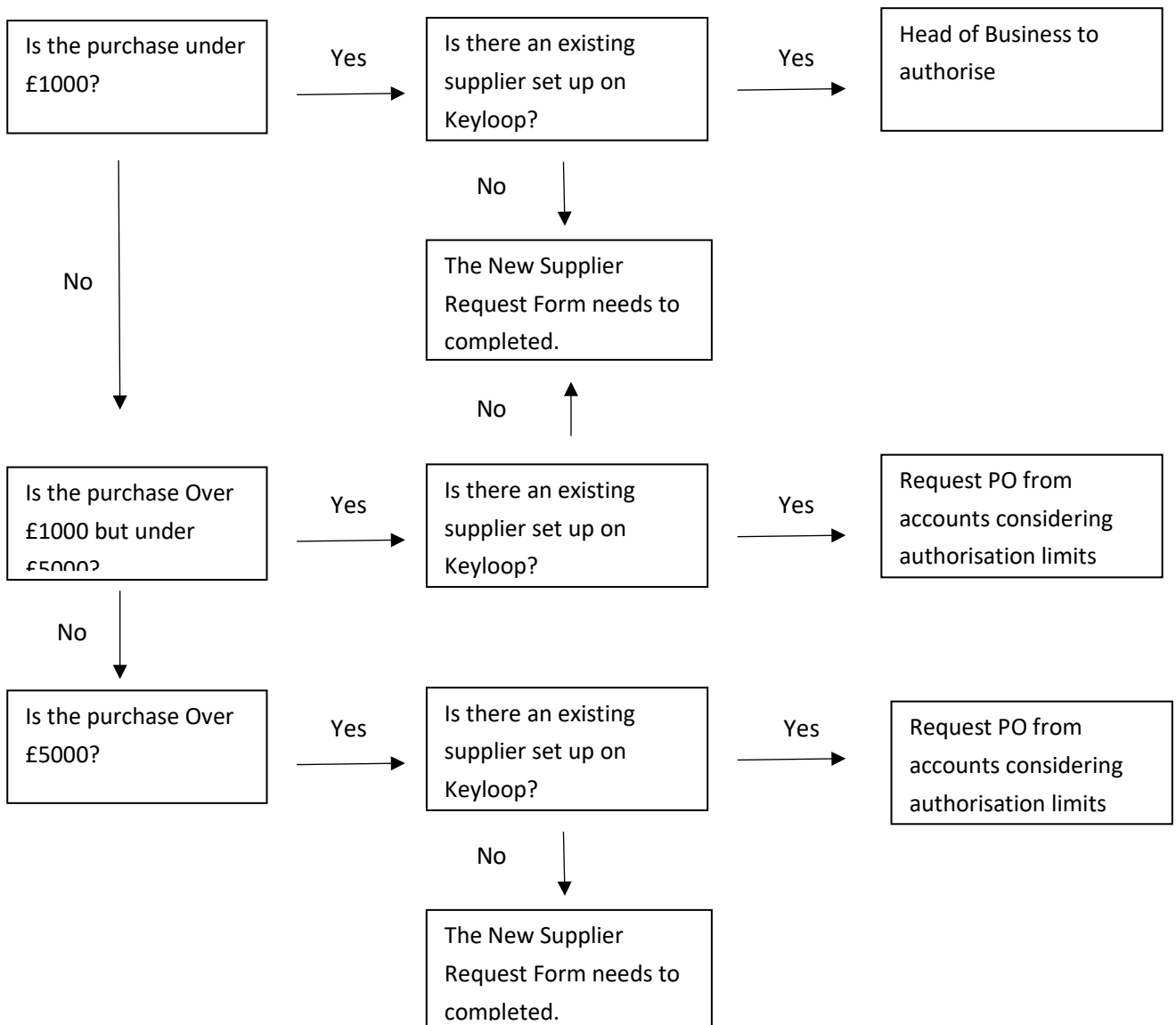
The Group operates a 'No PO, No Pay' policy. This means that no fixed asset purchase invoice, goods or service over £1000 or Marketing invoice will be paid unless it can be matched against a valid purchase order, which has been goods received (to confirm that the order has been fulfilled).

The only exception to this is where specific dispensation has been given by the Board of Directors. It is therefore essential that no orders are placed with a supplier that will result in an invoice being submitted until there is an approved purchase order in place.

Please email groupaccounts@startingroup.co.uk to request a PO Number. Ideally, the email will contain an email trail containing authorisation from the relevant manager. Please state the supplier, description of the purchase, suggested NL code and amount.

Summary flowchart of threshold values

This chart summarises the steps to follow to identify an appropriate supplier value of your purchase.



Please refer to the New Supplier Request Process.

Up to £1,000 – Purchase Order not required

£1,001 - £5,000 – Purchase Order is required

£5,001 and above – Purchase Order is required

These limits are applicable to all purchases and expenditure excluding that which is required in the day-to-day operation of the site.

The policy will provide further guidance on specific areas in which Purchase Orders are required.

Purchasing of Fixed Assets

Purchase orders must be requested from the Purchase Ledger Team prior to committing to a purchase.

A Fixed Asset is any tangible asset purchased for use in the day-to-day operations of the Group from which an economic benefit will be derived over a period greater than one year and has a value of £1,000 or more.

Fixed Assets include items of property and equipment such as buildings, office furniture, fixtures, computers and other related technology equipment.

Bulk purchases of similar items that have an aggregate value of £1,000 or more are captured as a fixed asset regardless of individual price of item. For example, the Group purchases 10 desks at £200 each. The total purchase of £2,000 will be considered a fixed asset purchase.

At the time a fixed asset is acquired, its cost is capitalized and subsequently depreciated utilizing the straight-line method over the asset's estimated useful life. Before a replacement asset is purchased checks must be carried out to ensure the asset being replaced has been fully written down.

Fixed assets with a value of less than £1,000 are expensed in the period acquired. There are several types of capital assets. Specifically:

- Moveable equipment, such as furniture
- Fixed equipment, such as fixtures
- Buildings and their components
- Building Improvements, including department renovations
- Land (not depreciated)
- Land Improvements
- Infrastructure
- Software
- Computer Hardware and other electronics. Technology purchases must be ordered and/or approved by the Business Analyst.

Purchasing a Fixed Assets:

Purchasing a fixed asset is done in the same manner as any other purchase of goods if it has been approved through the capital budget process. The department requests a Purchase Order from accounts, acquires approvals of the Head of Group Accounts and the Operations Director.

Movement of Assets:

Often it is necessary for departments to move fixed assets from one location to another. Movement of the asset will be completed after obtaining proper authorization by the requesting and receiving departments. All computer equipment shall be moved only with the express written consent of Business Analyst.

Disposal of Fixed Assets:

A department may have fixed assets that are no longer required due to:

- A. Excess of useful life
- B. Lack of need
- C. Obsolescence
- D. Wear, damage, or deterioration
- E. Excess cost of maintenance

Metal assets, such as bookshelves, metal desks etc. are recycled to a scrap iron company and the income recognised in the relevant department.

Some assets, such as computer equipment, can be recycled or disassembled for parts or components for further use at the discretion of the Business Analyst.

The Business Analyst will notify the Accountants of the appropriate change in the Fixed Asset System.

It is the department's responsibility to make arrangements with the Business Analyst to move the asset

Marketing Expenditure

Purchase orders must be requested from the Purchase Ledger Team prior to committing to any marketing spend over £1000.00.

New Suppliers must complete the new supplier request form as per the New Supplier Request Policy.

Company Credit Cards

Lloyds Commercial credit cards are an alternative method for paying for low value goods or services. Cardholders are required to maintain adequate and complete records of card expenditure and make monthly returns to the Accounts Department.

The card must never be used for personal purchases. It must only be used by the named cardholder. Any misuse of the Company Credit Card will be treated as gross misconduct and subject to normal disciplinary procedures.

Only directors can instruct the Head of Group Accounts to obtain a Company Credit Card for a member of staff. The card and PIN will be sent to Head Office and cardholders can collect these from Accounts. As part of the collection process, each cardholder must sign an agreement to only use it in accordance with the terms and conditions. The card must also be signed on the back immediately by the cardholder.

Each card also has a single transaction limit of £1000. If a deviation from these limits is required for genuine business purposes, cardholders should contact the Head of Group Accounts to discuss other available options.

For all purchases, the card receipt and the shop till receipt should be retained to provide supporting documentation for the expenditure and for audit purposes. If an online purchase is made, a copy of the invoice/receipt must be printed out and retained.

Cardholders are responsible for ensuring their card and PIN is held securely, to minimise the chance of fraudulent activity. If cards are cloned or used fraudulently, they will be barred by the bank's fraud department and subject to investigation. There will also be a delay before a replacement card can be issued.

On receipt of all required paperwork, the Accounts Department will update the DMS system, so that expenditure items appear in the management accounts.

Any queries about these entries should be made to the Accounts Department. The Accounts Department also retains records, including receipts, for each cardholder and should be contacted if a receipt is needed (e.g., for a faulty item that needs returning).

Petty Cash

In some circumstances permitted transactions under £50 can be made through the petty cash system.

The purpose of this procedure is to explain a simple but complete method of recording and reconciling petty cash expenditure and reimbursement that ensures cash is appropriately controlled; records are adequate for accounting and audit purposes; and procedures are flexible enough for day-to-day operational purposes.

Training must be provided to all staff members who have any responsibilities for or involvement with petty cash. The accounts department will provide training on request. It is the Head of Business responsibility to ensure appropriate training has been carried out.

Petty cash floats are normally set to cover a period of up to one month of typical expenditure.

When money has been spent, a petty cash voucher must be completed for all items of expenditure, providing the date, nature of the expenditure, amount and ledger coding. All receipt(s) must be attached clearly showing each amount applicable to the voucher (e.g., delete personal items). The responsible manager must also authorise the expenditure before it is submitted to the petty cash float holder to request repayment.

The petty cash float holder must check the slip for completeness and proper authorisation of the expenditure before reimbursing the

Out of pocket expenses

It is the policy of the Group that out-of-pocket expenses (which is the up-front purchasing of goods and services using an individual's own funds) should only be carried out where the individual:

- does not have access to a company credit card in their own name, or held by a member of staff with authority to purchase on their behalf
- is required to use personal assets for business purposes, such as personal vehicle usage.

Whilst out of pocket expenses is intended to provide a quick and easy access to purchasing when required, it is important that, wherever possible, staff and Budget approvers take a planned approach to purchasing and do not use out of pocket purchasing as a routine 'emergency' alternative option.

The use of out of pocket purchasing limits financial and budgetary control and the ability to ensure value for money.

With respect to financial and budgetary control the use of out-of-pocket expenses offers reduced control in the following ways:

- the approver's control is retrospective and dependent on the timing of the purchaser's claim for reimbursement
- financial records are not updated until a claim for reimbursement is made

In addition, the purchaser's personal funds are at risk until the claim is approved.

All claims must be submitted within 30 days of the expense being incurred or the staff member returning to their usual place of work following travel for business purposes (whichever is later).

Expenditure incurred while travelling and working away from primary place of work

All of the following categories of expenditure are an appropriate use of the companies funds when wholly, exclusively and necessarily incurred in order to perform business activities, including training, conferences and meetings:

- travel
- accommodation
- subsistence

Travel

Travellers should plan their trips in advance to ensure they are able to establish a solution that meets their business need and provides the best possible value for money. Travel expenses are only permitted for

- Those traveling between their usual place of work and one of other sites
- Those travelling to meetings and conferences held by external companies
- Collection and delivery of sales and service customer vehicles
- Off-site training

Employees are required to use a company vehicle to attend any off-site training, meetings or conferences.

Use of a private vehicle is only permitted if a company vehicle is not available.

Reimbursement of fuel used will only be processed if a Mileage Claim Form has been completed. Under no circumstances can an employee reclaim fuel by using a company fuel card to replenish fuel in their personal vehicle.

Accommodation

Where an overnight stay is required, staff should pre book with the manufacture recommend provider. A payment request should be completed if a proforma is produced by the provider following the payment request process. Alternatively, the accommodation should be booked by a manager using their company credit card.

Subsistence

It is appropriate for the group to cover the cost of meals eaten while travelling away from the normal place of work on company business. As a guide to approvers, trips of around 4 hours and more would be a reasonable basis for this.

The following details the maximum level of expenditure for meals considered appropriate. Actual costs incurred should be reasonable for the location.

Breakfast £15 max Following overnight stay, or journey starting before 6 a.m.

Lunch £15 max Total cost including soft drink.

Alcohol is not an appropriate expense

Dinner £30 max Total cost, including any drink, if on an overnight stay, or unlikely to be home before 9.00 p.m.

Contract Authority

Only those employees given explicit written authority by the board of directors may execute purchasing agreements. (Purchasing agreements are written contracts that bind Startin Group of Companies and a supplier to a purchasing obligation.)

Such written authority includes terms and conditions, typically including a review by the Head of Group Accounts, and all such terms and conditions must be followed.

Very few individuals have been delegated signature authority and employees should contact the Head of Group Accounts to have purchasing agreements reviewed and signed, regardless of the agreement's pound value, form of payment used, or source of funds. Head of Group Accounts coordinates an agreement review with the board of Directors.

Refusal

Any request for approval of a purchase can be refused at any time in the process based on a reasonable circumstance or reason.

Reasonable circumstances or reasons can include, but are not limited to, budget restrictions, reasonability of the quality and quantity of the groups resources, incorrect information or limitation of the group to acquire the resources.

All refusals and reasons for the refusal should be communicated in writing by those refusing the request for the purchase. Accounts will notify the person who submitted the request with the reasons for the refusal.