Capital and Major Projects Expenditure Policy

Policy Code: GOV-002  Version: 2.0  Effective Date: 26 May 2015

Purpose:

The objective of this policy is to establish procedures and guidelines for the approval and control of all capital expenditure, including major projects, and the disposal and transfer of fixed assets.

This policy was designed to ensure that the capital expenditure, fixed asset disposal and transfer process complies with the College’s objectives and strategies. The goal of the reporting process is to ascertain that the appropriate planning and management have been undertaken prior to major items being purchased by the College.

The upfront cost of the acquisition will be charged to the relevant department over the expected life of the asset each month as a depreciation expense.

The process of funding capital expenditure as approved is made in accordance with the College’s financial decision making procedures and is outside the scope of this policy.

Definition of “College” – The Australian College of Natural Medicine Pty Ltd (ACNM) trades as Endeavour College of Natural Health, College of Natural Beauty, FIAFitnation and Wellnation. For the purpose of this policy, any reference to ‘College’ or ‘the College’ should be considered a reference to each or any of these respective trading names.

Scope:

- All campuses
- All staff
Policy Statement:

Capital Expenditure, including Major Project Expenditure

Capital expenditure is expenditure on an asset which will provide a benefit over a number of years such as a computer or workstation.

Capital expenditure applies to assets that have a cost of $1,000 (excluding GST) or over.

Major project expenditure is capital expenditure on a single asset or collection of related assets which will provide a benefit to the College over a number of years. Examples of major projects include the development and implementation on major upgrade of ICT systems or hardware and refurbishment of premises.

The College is responsible for establishing adequate controls over capital expenditures to ensure the timely procurement of these assets and accurate and timely recognition of these assets in the accounting records. Our policy requires that the requisition and purchase of all capital expenditures must follow the procedures as stated within this document. The objectives of these procedures are to:

- Specify and set up capital expenditure vendors
- Allow for management review and approval for investments made in capital equipment
- Recognise qualifying purchases as fixed assets in the company’s accounting systems
- Track and review capital projects against predefined budgets or plans
- Pay for capital expenditure items on a timely basis and consistent with approved order details
- Leverage the company’s purchasing power through centrally negotiated purchase contracts with key capital vendors.

The categories of capital expenditure are classified by asset type as per the fixed asset register and the general ledger. These categories are:

- Plant and Equipment
- Computer Equipment
- Property Improvements
- Library Books
- IT Equipment Hardware
- IT Equipment Software
• Furniture and Fittings
• Motor Vehicles
• Leased Assets (general assets)

Grouping
Each item of capital expenditure is to be allocated into one or more of the following groups:

1. Normal Operations – capital expenditure required for the day-to-day operations of the College, including replacement and minor upgrading of existing assets
2. Business Development – capital expenditure incurred for the specific purpose of enhancing and growing the College, eg. major systems upgrades

Budgets
1. Requirements for capital expenditure should be included in the capital expenditure budget prepared annually by all departments and campuses
2. All requests for capital expenditure must be supported by a business case outlining why the proposed expenditure is required
3. The capital expenditure budget will be included as part of the total annual budget package for review and approval by the Board. This approval does not provide authorisation for capital expenditure to be incurred. No commitment for expenditure of capital items should be undertaken on behalf of the College until all relevant requirements set out in this policy are complied with
4. In situations where capital expenditure is justified by the generation of profits or cost savings in future years, the relevant forecasting and feasibility study/report will need to be included in the evaluation of capital expenditure.

Unbudgeted Expenditure
In exceptional circumstances during a financial year, a need requiring unbudgeted capital expenditure may occur.

In this event, as in the case of budgeted capital expenditure, a business case must be prepared and submitted justifying the need to incur the expenditure in the current financial period, i.e. this cannot be deferred.

This is then to be submitted and reviewed via the same process as for a budget capital expenditure submission.

Requests for unbudgeted capital expenditure are required to also identify an offset against
the approved capital expenditure budget.

**Expenditure Increases**
In circumstances where expenditure increases by 5% or more beyond the limit approved in the budget, the excess above 5% is required to be treated as for requests for unbudgeted capital expenditure.

**Authorisation of Capital Expenditure**
1. All requests require approval in accordance with the Delegation of Authority Policy
2. Any requests for expenditure on IT hardware or software must be forwarded to the National IT Manager for evaluation and recommendation. The National IT Manager is responsible for the evaluation of all requests relating to Information and Communication Technologies (ICT) for all College activities.

**Replacement of Assets**
1. In situations where capital expenditure relates to the replacement of an asset, the residual value of the existing asset cannot be offset against the purchase price of the new asset.
2. Any application that relates to the replacement of an existing asset should refer to the age, condition and reasons why the asset has been replaced.

**Disposal of Fixed Assets**
In the case of fixed assets being scrapped or replaced, a Request for Disposal of Assets Form should be completed and submitted.

**Transfer of Fixed Assets**
When fixed assets are transferred between departments, divisions or projects of the College, a Request for Transfer of Fixed Assets Form must be completed and submitted.

**Further Information:**

**Related Policies:** Delegation of Authority Policy

**Benchmarking:** nil

**Supporting Research and Analysis:** nil
Related Documents:  
FY2013-2015 Strategic Plan  
Annual Budget  
Strategic Asset and Facilities Plan  
Request for Disposal of Fixed Assets Form  
Request for Transfer of Fixed Assets Form  
Request for Capital and Project Expenditure (CAPEX) Form

Related Legislation:  
nil

Guidelines:  
nil
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