



Capital Expenditure Procedure

Procedure Number
WCDHB-PF-0003

Version Nos:
5

1. Purpose

This Procedure is the process for the approval and monitoring of capital expenditure by the West Coast District Health Board (WCDHB)

2. Application/Responsibilities

This Procedure is to be followed by all WCDHB staff members and Board members.

3. Definitions

There are no definitions associated with this Procedure:

4. Responsibilities

For the purposes of this Procedure:

the **Chief Executive Officer** is required to:

- oversee all aspects of this Procedure.

all **Staff and Board Members** are required to:

- ensure they abide by the requirements of this Procedure.

5. Resources Required

This Procedure requires:

- WCDHB Capex Form
- WCDHB Cash Benefit Analysis Form (CBA Form)

6. Process

- 1.00 Approval of capital expenditure must be sought before any expenditure is made or commitment to a project is given.
- 1.01 All capital expenditure must be in accordance with relevant legislative requirements and the Ministry of Health Guidelines For Capital Investment (July 2003).
- 1.02 All capital expenditure must align with the plans, direction and vision of the WCDHB.
- 1.03 Projects requiring capital expenditure must be approved as an entire project rather than on an individual item basis. Each project is to be defined as being self-contained and requiring no subsequent approvals or authorities.
- 1.04 The calculation of the amount of capital expenditure for which approval is being sought is to be the total cost of the item/project including any duty, freight, internal labour costs, working capital and capitalised interest (where applicable).
- 1.05 Any operating costs associated with the acquisition need to be listed. If there are maintenance contracts associated with the acquisition the commitment to the WCDHB needs to be specified. Provision is made for the above two requirements on the CBA form.

	Capital Expenditure Procedure	Procedure Number <i>WCDHB-PF-0003</i>	Version Nos: 5
---	--	---	---------------------------------

- 1.06 Applications for capital expenditure must be made on the WCDHB Capex Form.
- 1.07 If the application for capital expenditure is:
- i) >\$10 000, a cost-benefit analysis must accompany the application; and will require a quotation process via the procurement department as detailed on the CBA FORM.
 - ii) > \$ 100 000., requires a tender process
 - iii) >\$ 100 000, a feasibility study must accompany the application.
- 1.08 No expenditure of capital is to proceed without an allocated capital number that is to be granted by the WCDHB Finance Department. Capital numbers are issued after:
- i) confirmation of appropriate approval; and
 - ii) confirmation of availability of funds.
- 1.09 The purchase of the capital item will follow WCDHB procurement policies and all capital purchases will require the completion of a purchase requisition to be completed by the initiator of the capital items (or parts of the capital project).
- 1.10 Capital expenditure for the maintenance of operating capacity includes replacement items required to maintain the capacity of the WCDHB to meets its operating obligations. Items required to meet health and safety, and regulatory requirements may also come within this category: Approval limits are as outlined in the WCDHB Board Policy - Delegations.
- 1.11 If a project is identified to have a final expenditure level in excess of 10% of the total expenditure authorised then the expenditure is to be represented (to the relevant approval authority) for authority for the additional amount required.
- 1.12 No commitment or expenditure above the approved level is to be made until approval for additional expenditure has been obtained.
- 1.13 Over-expenditure of less than 10% is to be reported and dealt with as per Section 1.10.
- 1.14 For capital expenditure costing \$ 100 000 or more, a post-implementation review is to be developed and reported to the Audit, Risk and Finance committee 12 months from the date of commissioning. The purpose of this report is to reinforce accountability, improve factual basis of project appraisal and to improve project management and governance. This paper must include:
- i) a review of the outcome resulting from the expenditure; and
 - ii) a comparison of the outcome achieved with the intended outcome and highlight any variances and outline the circumstances which created the variance; and
- 1.15 If the project associated with the capital expenditure has not achieved normal operation within 12 months of approval, the paper required by Section 1.10 is still required. In addition, a further paper is required within another 6-month interval.

2.00 Emergency Purchases

- 2.01 In the case of an emergency purchase the Chief Executive Officer (or the person holding his delegated authority) may approve the purchase.

	<h2 style="margin: 0;">Capital Expenditure Procedure</h2>	Procedure Number <i>WCDHB-PF-0003</i>	Version Nos: 5
---	---	---	---------------------------------

- 2.02 For emergency purchases points 1.04 to 1.09 detailed above will not necessary apply at the time of purchase. The necessary completion of the WCDHB Capex form, Cash Benefits Analysis form and allocation of a capital number must occur as soon as practically possible after the event.
- 2.03 The Chief Executive Officer (or the person holding his delegated authority) must be informed of the emergency purchases and acknowledge the purchase by signing the WCDHB Capex form.
- 2.04 The purchase must be listed as an emergency purchase on the WCDHB Capex form and Cash Benefits Analysis form.

3.00 Vehicle Purchases

- 3.01 For the routine replacement of existing WCDHB motor vehicles, the Transport Officer will provide the General Manager – Corporate Services with a list of all vehicles coming up for replacement at least 2 months prior to their replacement date. The General Manager – Corporate Services will be responsible for preparing capexs for their replacement and for ensuring that proper procurement processes are followed.
- 3.02 Any WCDHB Department/Service wanting a new vehicle (where one hasn't existed before) will need to prepare and justify their own capex, which will need to be approved by their General Manager, as well as the General Manager – Corporate Services

7. Precautions And Considerations

- ➔ All capital expenditure must align with the plans, direction and vision of the WCDHB.
- ➔ Approval of capital expenditure must be sought before any expenditure is made or commitment to a project is given.
- ➔ Projects requiring capital expenditure must be approved as an entire project rather than on an individual item basis.
- ➔ For capital expenditure costing \$100 000 or more, a post-implementation review is to be developed and submitted to Audit Risk and Finance committee 12 months from the date of commissioning

8. References

Ministry of Health Guidelines for Capital Investment (July 2003).

9. Related Documents

WCDHB Delegation of Authority Procedure
WCDHB Fixed Asset Procedure

	Capital Expenditure Procedure	Procedure Number <i>WCDHB-PF-0003</i>	Version Nos: 5
---	--	---	---------------------------------

Revision History	Version:	5
	Developed By:	Chief Financial Manager
	Authorised By:	Board
	Date Authorised:	May 1999
	Date Last Reviewed:	September 2009
	Date Of Next Review:	September 2011