Policy – Capital Expenditure

1. Purpose

The Capital Expenditure Policy establishes a framework for the approval and control of all capital expenditure incurred to undertake research and manage research activities through which DMTC will receive an enduring benefit. The Capital Expenditure Policy is designed to ensure:

- appropriate planning and management is undertaken prior to making major capital acquisitions.
- DMTC funds expended on capital items are spent efficiently and effectively.
- the enduring benefit DMTC will realise from the acquisition is quantified, and
- the DMTC Board and authorised subcommittees are fully informed of all relevant issues when making decisions regarding the authorisation of capital expenditure.

2. Policy Scope/Coverage

The capital expenditure policy applies to DMTC directors, Chief Executive Officer (CEO) and all other DMTC employees.

3. Policy Statement

3.1. Approval

Approval for capital expenditure is governed by the DMTC Financial Delegation Policy. All capital expenditure must be approved in accordance with the authorities set forth in this policy before a capital acquisition or commitment to a capital acquisition is made. DMTC reserves the right to reject claims against capital expenditure which are not processed in this manner.

3.2. Value

In determining whether expenditure is covered by this policy, consideration is to be given to the enduring benefit the asset will provide DMTC. The value of the capital expenditure must be calculated taking into account:

- gross value excluding Goods and Services Tax ('GST') and excluding any trade-in or salvage value.
- multiple capital items associated with an asset will be considered as a single asset for financial delegation purposes, and
- all associated costs to bring the asset into existence including transportation and installation costs and Government duties.

In all CEO submissions, costs estimates based on an appropriate set of specifications must be included.

3.3. External Consultants

Consultants may be called in, at the discretion of DMTC, to develop specifications. Specifications must include detailed documentation where available, to provide all prospective vendors with a common basis for bidding. Extreme caution must be exercised to insure that specifications:

- do not cause items to be ‘overdesigned’ for the performance of the job, and
- are not geared to one vendor

Upon completion of specifications, cost estimates should be developed.

3.4. Asset Replacement

If the capital expenditure is for the replacement of an existing asset and the existing asset may be sold or traded in, the trade-in and/or residual value of the existing asset may not be offset against the gross cost of the new asset. The gross capital expenditure will determine the category of the capital expenditure approval (CEA) and the approval process to follow.

3.5. Quotation

At least two (2) quotations should be obtained to justify the budgeted amounts for each capital item. Where possible, the quotations should be stated in $AUD and exclusive of GST. If obtaining at least two (2) quotations is not practical or possible, written justification must be provided. The CEO may, at his or her discretion, require additional information to support the capital expenditure request.

Quotes are generally not required for IT hardware or software as DMTC has a preferred supplier. However, pricing for IT hardware and software is reviewed and benchmarked for reasonableness by Management before they are approved. The Service Level Agreement with the preferred IT supplier is also reviewed and benchmarked at the conclusion of the agreement period.

4. Linked Policies, Procedures and Forms

- Policy – Approval
- Policy – Financial Delegation
- Policy – Internal Controls