The approved Capital Acquisition Plan shall be predominantly used for capital costs, with associated expensing kept to an absolute minimum.

Only items falling within one of the following categories shall be funded from the approved CAP:

- Information technology (IT) – software and hardware
- Property, plant and equipment – non-IT
- Minor acquisitions
- Emergent works
- Priority Capital Program
- Capital Program Land Acquisition

**Capital Funding Policy**

**Implementation Standard for Items to be Funded from the Capital Acquisition Plan (CAP)**

1. **Purpose**

This implementation standard identifies minimum requirements in relation to allocations from the Capital Acquisition Plan (CAP), as well as the associated structures to be maintained in the Capital Investment Module in Financial and Materials Management Information System (FAMMIS) and the whole-of-government TRIDATA system. Compliance with this Standard shall ensure accuracy, accountability and transparency in the allocation of funds through the CAP.

The standard also identifies the responsibilities (and audit criteria) of individual positions in relation to these requirements.

2. **Scope**

This Implementation Standard applies to all Queensland Health employees (permanent, temporary and casual) and all organisations and individuals acting as its agents (including visiting medical officers and other partners, contractors, consultants and volunteers) involved in CAP-related funding.

3. **Supporting documents**

**Authorising Policy:**

- Capital Funding Policy

**Protocols, Procedures, Guidelines**

- Protocol – Emergent Works Program
- Protocol – Priority Capital Program
- Protocol – Capital Program Land Acquisitions

4. **Related documents**

- Implementation Standard – Funding Sources
5. Requirements

5.1 General Criteria

5.1.1 Only items falling within one of the following categories shall be funded from the approved CAP:

- Information technology (IT) – software and hardware
- Property, plant and equipment – non-IT
- Minor acquisitions
- Emergent works
- Priority Capital Program
- Capital Program Land Acquisition.

5.2 Information technology (IT): software and hardware

5.2.1 Only 3 line items shall be funded under the IT component of the CAP:

- Information technology infrastructure programs
- E-health clinical systems
- Other health systems.

5.2.2 The IT infrastructure programs line item shall only be used to fund capital acquisitions and related capital costs. This line item shall not be used to fund expensing items without the prior approval of the Chief Finance Officer (CFO).

5.2.3 Equipment that has a value of less than the $5,000 asset threshold (as per the Finance Management Practice Manual), or minor cabling in relation to the IT infrastructure program, shall be charged and funded out of a district/division’s operating budget.

5.2.3 Labour expenses associated with managing or supporting the IT infrastructure program shall only be charged to the CAP if they are capital costs. If a labour cost to support the IT infrastructure program cannot be capitalised it shall be expensed to the ID operating budget.

5.2.4 Operationally funded staff or contractor expenses shall only be charged to an information technology line item if their costs can be capitalised.

5.3 Property, plant and equipment: non-IT

5.3.1 The property, plant and equipment line items shall only be used to fund capital acquisitions and related capital costs. These line items shall not be used to fund expensing items without the prior approval of the Chief Financial Officer.

5.3.2 Equipment with a value that is less than $5,000 shall be charged and funded out of a district/division’s operating budget.

5.3.3 Labour expenses associated with managing or supporting property, plant and equipment line items shall be charged to the CAP if they are able to be treated as capital.

5.3.4 Operationally funded staff or contractor expenses shall only be charged to a property, plant and equipment line item if their costs can be capitalised. (NOTE: the
Non-Current Asset Policy for the Queensland Public Sector (NCAP) details the rules about whether a cost associated with plant and equipment should be treated as capital.)

5.4 Minor acquisitions

5.4.1 Capital allocations to a district/division shall only be used to cover capital needs (excluding trust funds) outside of programs managed by Health Planning and Infrastructure Division (HPID) and Information Division.

5.4.2 The minor acquisitions line item shall not be used to fund expensing items. Equipment with a value of less than $5000 shall be charged and funded out of a district/division’s operating budget.

5.4.3 Twenty-five (25) per cent of a district/division’s capital allocation is provided specifically to cover urgent and unavoidable capital needs. Districts/divisions shall not commit all capital provided initially as this may leave them unable to fund emergent replacement requirements.

5.4.4 Divisions who require Minor Capital Projects and Acquisitions Program (MCPAP) funding for a specific project shall lodge a business case to be assessed and approved by the CFO.

5.4.5 Districts/divisions shall provide an update report at the February mid-year review and end of financial year-on-year to date expenditure against Minor Capital Acquisition Plans.

5.4.5 Underspends in capital allocations shall not be rolled over to the following year. In some circumstances, and on a case-by-case basis, a “rollover” of capital funds may be requested. In such cases, justification for a rollover (along with sufficient financial and project information to facilitate informed decision making) shall be presented to the CFO. The CFO shall assess the case presented before them and make a decision to decline or agree to the request for a rollover of funds. (NOTE: It is a general expectation that the minor capital acquisition allocation is fully expended each financial year.)

5.4.6 Overspends in capital allocations shall be withdrawn from the district/division’s following year’s capital allocation.

5.4.7 Eco-efficiency programs within a district/division shall be funded through a re-cashflowing of a district/division’s capital allocation over the current forward estimates period. Funding for these projects is approved upon receipt of the endorsed funding agreement with the Carbon Management Unit.

5.4.8 Projects that are identified separately within the CAP under the minor acquisitions line item can be carried forward to ensure funding is available to complete the project.

5.5 Emergent Works Program (also refer to Protocol – Emergent Works Program)

5.5.1 Approval for allocation of Emergent Works Program (EWP) funding shall only be given for uses that fall within one of the following three categories:

- project finalisation
Queensland Health: Implementation Standard for Items to the Funded from the Capital Acquisition Plan (CAP)

- tender overruns
- urgent infrastructure needs.

The approval process for each of these categories is as follows:

5.5.2 Project finalisation – statutory and contractual obligations. This element shall provide for unforseen costs incurred during the construction stage of a project:

- In the first instance, project contingency allowances (as detailed in the approved Gross Project Cost - GPC) shall be used to meet all unforseen costs in order to complete a project in line with the original intent. (NOTE: this does not include a change in project scope.)
- In some circumstances such as settlement of contractual claims or exceptional statutory charges, the approved GPC may be exceeded. In such cases, approval shall be sought from the Deputy Director-General (DDG), HPID, for the use of EWP funding to meet project finalisation costs. If approved, notification of the EWP allocation shall be provided to the Health Infrastructure and Projects Executive Committee.
- Unspent funds at project finalisation shall be returned to the EWP.

5.5.3 Tender overruns – where tenders exceed pre-tender estimates and the resultant GPC exceeds the approved budget, the project shall either:

- re-tender
- seek additional funding through the Cabinet Budget Review Committee
- seek approval from the DDG, HPID, to use EWP funding to meet the revised GPC. If approved, notification of the allocation of EWP funds shall be provided to HIPEC.

Where a tender is less than the pre-tender estimate and the GPC is less than the approved budget, the difference must be returned to the EWP.

5.5.4 Urgent infrastructure needs – the following principles shall apply to all requests relating to urgent infrastructure:

- Funding shall only be considered for service delivery demands arising as a result of acts of God (e.g. fire, flood, cyclone); infrastructure failure (excluding items subject to an asset maintenance regime, statutory compliance (e.g. water conservation, asbestos removal); or critical and unforseen demand.
- Approval shall be sought from the DDG, HPID for the use of EWP funds to meet urgent infrastructure needs. If approved, notification of the allocation of EWP funds shall be provided to HIPEC.
- Ten (10) per cent of the annual EWP budget allocation shall be retained in reserve, at any given time, to cover requests for urgent infrastructure needs.
- If the reserve is to be utilised for purposes other than urgent infrastructure needs, HIPEC endorsement shall be sought. Where endorsement is received, approval shall be sought from the DDG, HPID.
- HIPD may review the approval process for the use of EWP funds, and provide advice and recommendations to the HIPEC Chair (DDG, HPID) with regard to limits.
• Requests for EWP funding shall be submitted in the form of a brief to the Program Management Office.
• Revenue realised from the sale of land and/or property shall be returned to the EWP.

5.6 Priority Capital Program (also refer to Protocol – Priority Capital Program)

5.6.1 The Priority Capital Program (PCP) shall be developed as a four year rolling program of work, and shall provide funding for asset renewal, enhancement and some refurbishment work as part of capital projects, including information and communication technology (ICT) projects.

5.6.2 The PCP shall provide for:
• minor renewal activities on buildings and engineering services
• enhancement of existing infrastructure, sufficient to sustain or improve service delivery and continuity, that increases asset value
• refurbishment of existing infrastructure, sufficient to sustain or improve service delivery and continuity, that increases the economic life of an asset.

5.6.3 The PCP shall not provide for:
• major new additional infrastructure
• capital investment that requires additional unfunded operational funding
• maintenance activities.

5.6.4 An agreed proportion of PCP funding shall be allocated to Information Division (ID) in accordance with Table 1.

Table 1

<table>
<thead>
<tr>
<th>Allocation of PCP funding to Information Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20 million</td>
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</tbody>
</table>

5.6.5 ID shall assess and determine priorities for this funding, subject to endorsement by the ICT executive committee when allocating funding to projects.

5.6.6 Districts/divisions, other than ID, shall submit requests for funding in the form of a brief to PMO, with detail provided scalable to the size of the overall investment.

5.6.7 Collaboration between districts/divisions is encouraged to identify common priorities for a single submission for a program of work.

5.6.8 Applications for approval shall be assessed by the DDG, HPID twice yearly (or by exception when appropriate), and if approved, HIPEC shall be notified of the PCP allocation.

5.6.9 HPID shall monitor expenditure against the PCP and report to HIPEC quarterly.

5.6.10 HPID and ID shall report the approved program of work to the Cabinet Budget Review Committee (CBRC) annually.
5.7 Capital Program Land Acquisition (also refer to Protocol - Capital Land Acquisitions)

5.7.1 In capital acquisitions of land and/or buildings, Capital Program Land Acquisition (CPLA) allocations shall only be used to cover due diligence investigations, acquisition costs and associated fees for, but not limited to, strategic land banking, employee housing and car park acquisitions.

5.7.2 Capital Program Land Acquisition funding shall only be sought where no alternative funding source such as operational funding (e.g. Health Service District annual budget), project funding (e.g. Queensland Children’s Hospital budget) and Commonwealth funding (e.g. Health and Hospitals funding) is available.

5.7.3 Capital acquisitions that require additional operational funding shall not be considered under CPLA.

5.7.4 Recurrent costs for maintenance obligations and capital costs for construction or refurbishment shall not be funded under the CPLA and are the obligation of the acquiring entity. These costs shall be estimated prior to completion of the acquisition, which will be dependent on confirmation of sufficient financial capacity.

5.7.5 All acquisitions shall be consistent with established service planning priorities.

5.7.6 Collaboration between districts is encouraged to identify common priorities for land acquisition.

5.7.7 Applications for the allocation of CPLA funds shall be forwarded to DDG, HPID for consideration.

5.7.8 The DDG, HPID shall consider applications for CPLA funds, approve applications where appropriate, and, where approved, notify HIPEC of the CPLA allocation. The acquisition shall then proceed in line with the requirements of the Implementation Standard for Real Property Acquisition.

5.7.7 HPID shall monitor expenditure against the CPLA and report to HIPEC quarterly.

5.8 FAMMIS Investment Module and Budgets

5.8.1 Internal orders shall be used as follows:
- series 8 - costs for transfer to assets under construction
- series 7 – expensing costs
- series 6 – asset acquisition costs.

5.8.2 To ensure that the different elements of the capital program are readily identifiable, internal orders within the investment module shall be maintained and reconciled to programs reported in the CAP.

5.8.3 Budgets loaded in the investment module shall reconcile to the CAP (excluding the minor acquisitions line item).

5.8.4 The investment module shall be the sole source of truth in relation to capital expenditure and budgeting.
5.9 Whole of government budget - TRIDATA

5.9.1 Details of deferrals shall be supplied as per timelines provided by Finance Branch.

5.9.2 Adjustments to TRIDATA via an Adjustment Tracking Module (ATM) shall be supported by the project level detail required. ATMs are to be separated by funding type (e.g. Commonwealth equity, State equity, Commonwealth other), and major projects are to be entered as a separate ATM.

5.9.3 Reported project budgets shall reflect Budget Paper 3 (BP3) plus any adjustments approved through TRIDATA. Additional funding cannot be recognised at a project level unless it has been formally recognised in TRIDATA.

6. Review

This Standard is due for review on: July 2012

Date of Last Review: July 2010

Supersedes: Capital Funding Policy Implementation Standard – Items to be funded from the Capital Acquisition Plan (CAP) QH-IMP-024-1:2011

7. Business Area Contact

Senior Director, Financial Strategy and Policy Coordination

8. Responsibilities

<table>
<thead>
<tr>
<th>Position</th>
<th>Responsibility</th>
<th>Audit criteria</th>
</tr>
</thead>
</table>
| Queensland Health Chief Finance Officer (CFO) | • Responsible for the overall management of all capital funding within the Department, ensuring that capital funding is directed and used in the manner for which it has been provided.  
• Responsible for ensuring no capital funding submissions are put forward unless they have been both reviewed and thoroughly costed.  
• Responsible for approving use of the IT Infrastructure line item and the Plant and Equipment line items in the CAP for expensing items.  
• Responsible for approving business cases for MCPAP funding. | The CFO is accountable to ensure QH has a properly constructed capital policy in place. |
| Deputy Director-General, Health Planning and Infrastructure Division (HPID) and Chief Information Officer (CIO) | • Responsible for ensuring that all aspects of the CAP excluding fund management are delivered, including delivery of the work program and cost control.  
• Responsible for ensuring implementation of an effective governance process in management of the QH capital program | Program of work is delivered on time and within funding allocation.  
Regular HIRS reports document all expenditure. |
9. Definitions of terms used in this policy and supporting documents

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition / Explanation / Details</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM</td>
<td>Adjustments to forward estimates within the TRIDATA system are referred to ATM (Adjustment Tracking Module). ATM provides a record of all adjustments made to the Departments forward estimates.</td>
<td>Capital Funding Policy</td>
</tr>
<tr>
<td>Capital Acquisition Plan (CAP)</td>
<td>Represents the Department’s plan for the acquisition, development or enhancement of noncurrent assets over the next five years. The CAP details both acquisitions and associated funding sources.</td>
<td>Capital Funding Policy</td>
</tr>
<tr>
<td>Capital acquisitions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital allocation</td>
<td>This represents the funding provided to districts and divisions for the purchase of capital items. Funding for capital allocations is derived from the minor acquisitions line item of the approved CAP.</td>
<td>Capital Funding Policy</td>
</tr>
<tr>
<td>Capital cost</td>
<td>The process of treating the costs incurred in relation to an asset that will provide a future economic benefit of greater than 12 months, as an asset rather than recording the amount as an expense.</td>
<td>FMPM</td>
</tr>
<tr>
<td>Capitalisation</td>
<td></td>
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</tbody>
</table>
### Deferrals
Is the process where Q Health defers expected expenditure from the current year to outer years. Deferrals occur where the work program is running behind schedule.

### Eco efficiency program
A program that seeks to reduce future operating costs of a district and reduce its carbon footprint through the implementation of eco efficiency solutions for a range of building services.

### Expensing
 Represents costs that do not meet the criteria to be capitalised. These costs are posted to the statement of comprehensive income and therefore should be minimised or eliminated in the approved CAP.

### FAMMIS
The Finance & Material Management System is an integrated business management solution which consolidates a range of Q Health’s business processing and reporting functions and enables accrual accounting.

### Internal Order
Internal orders are cost buckets within the investment module of FAMMIS that are used to capture and manage costs associated with capital projects.

### TRIDATA
The whole of government budget system is TRIDATA which records individual agencies forward estimates over a five year period.

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### 10. Approval and Implementation

**Policy Custodian**
Senior Director, Financial Strategy and Policy Coordination

**Responsible Executive Team Member:**
Deputy Director-General, Finance, Procurement and Legal Services

**Approving Officer:**
Deputy Director-General, Finance, Procurement and Legal Services

**Approval date:** 7 March 2012
**Effective from:** 1 March 2012