



## **CAPITAL EXPENDITURE POLICY & PROCEDURES**

**CONSTITUTION: Section 16**

**BY-LAW: 43**

### **1. Introduction**

This document sets out the Board's policy and procedures for the preparation and completion of a LRGC Capital Expenditure Application (CEA). These policies and procedures came into effect on 15 February 2017.

### **2. Policy**

2.1 Following are the types of capital expenditure which are covered in this policy:

(a) Major Capital Works (see LRGC Constitution S16). These include items such as buildings (e.g. pro-shop, maintenance depot), course redesign and improvements, wetlands, all weather enclosures and the clubhouse

(b) Recurring Items. These include machinery and equipment (e.g. course equipment, golf carts, kitchen equipment, gaming machines, office equipment, computer systems, air-conditioning systems, furniture, sound/public address and telephone system. The General Manager will prepare and present to the Board annually, a rolling 5-year plan to replace Recurring Capital Expenditure items.

(c) Emergency Replacement items include equipment which breaks down without notice, cannot be repaired, and is needed urgently to continue essential operations of the Club (e.g. freezers, refrigerators, cookers, bar equipment, air conditioner)

### **3. Procedure**

3.1 A Capital Expenditure Application (CEA) for Major and Recurring items over \$10,000 should be completed and distributed to all Board Directors at least 7 days before the next Board meeting where it will be considered.

3.2 A Capital Expenditure Application (CEA) for Emergency Replacement items over \$10,000 should be completed and distributed to all Board Directors as soon as possible after the event and subsequently ratified at the next Board meeting.

3.3 The General Manger has authority to spend up to \$10,000 for Capital Expenditure items without the requirement for a CEA, and will inform the details and cost to the Treasurer and/or President as soon as possible after the event.

3.4 The Finance Committee has the authority to spend up to \$20,000 for Capital Expenditure items without the requirement for a CEA, and will inform the details and cost to the Board of Directors as soon as possible after the Finance Committee have approved the spend.

#### **4. Proposal**

The Proposal should include a detailed explanation of what is being proposed (include where relevant dimensions, weight and timing).

#### **5. Justification**

The Justification should include why the club needs this item (s) and consequences if the Club does not proceed with this request.

#### **6. Quotations**

There should be at least 3 quotations for the total cost attached to the CEA including details about each supplier, a comparative analysis between suppliers and a recommendation of supplier to use. The total cost should include all costs such as preliminaries, to build, to certify, to deliver and to install the item(s).

#### **7. Benefits/ Payback/ Return on investment**

- Benefits should include cost savings, improved productivity or income generated.
- Payback should include the number of years to recoup the original investment
- Return on Investment should show the annual percentage of income generated by the investment divided by the cost of the asset over the life of the asset

#### **8. Trade In**

Old and used equipment often have a resale value known as Trade In (e.g. sell used course equipment to another Golf Club or sell back used golf carts to the supplier when purchasing new golf carts). Note: The Written Down Value of the used asset per the Fixed Asset Register less Trade In will result in either a profit or loss on sale of Fixed Asset.

#### **9. Financing Methods**

The amount to be financed should be the total cost less any trade in or discount

- Purchase outright
- Lease /Hire Purchase using the Club's HP bank facility

- Rent where there is no LRGC ownership

## 10. Timetable

The Timetable should be realistic and include time to prepare and submit the order, to deliver, to install, to test and to commission ready for operation.

## 11. Proposers

Every CEA must be numbered (e.g. CEA No. 2017-1 for first CEA in 2017), dated and proposed by the General Manager and the Treasurer and submitted to the Board of Directors for consideration at least 7 days before a Directors Board meeting.

The CEA needs agreement by a majority of the Directors to proceed.

## 12. Capital Expenditure Application (CEA) example (see below)

### CAPITAL EXPENDITURE APPLICATION (CEA) No.

1. Proposal
2. Justification
3. Quotations
4. Benefits/Payback/ Return on Investment
5. Trade In
6. Financing Methods
7. Timetable
8. Proposed By

General Manager ..... Date.....

Treasurer..... Date.....