Purpose:

To ensure that capital project requests, planning and approvals are aligned with Massey University’s strategic, financial and risk planning frameworks. These include: Strategic Plan and sub-strategies, Investment Plan, Campus Development Plans, Information Services Strategic Plan, the University Annual Plan and University policies. This policy applies to Major Capital Projects, Minor Capital Requests, ICT Projects, Library Capital Purchases and Equipment Purchases.

Policy:

Ten Year Capital Plan

A ten year rolling programme of capital projects is developed by the National Capital Manager and incorporated into the annual University budget. The Ten Year Capital Plan (TYCP) is approved by University Council for year one of the programme only, notwithstanding, major capital project contracts that are approved over multiple years.

Subsequent years planning is noted. Projects include buildings, infrastructure, utilities, equipment and Information and Communication Technology (ICT) activities.

All projects included in the TYCP requiring a business case are reviewed by the Finance section prior to submission to the Senior Leadership Team (SLT) sub-committee. Thereafter, projects are recommended to SLT for approval of projects up to $1.0M in total value or to University Council for projects greater than $1.0M in total value.

The Vice-Chancellor, subject to relevant delegations, can initiate new major capital works up to $500,000 beyond the total annual capital work programme shown in the University Council approved Capital Plan.

Major Capital Project Proposals

Major Capital Projects are individual new developments, capital renewal and refurbishment projects over $150,000 in value, as listed in the approved TYCP, Groups 1, 2 3 and 4. Proposals are raised by the relevant SLT member through the Capital Planning and Approval Process for inclusion in the TYCP. Projects with significant materiality values, as defined in the Ministry of Education Conditions of Funding Authority, externally funded projects and Public Private Partnerships (PPPs) will be subject to Tertiary Education Commission (TEC) and/or Ministry of Education approval processes.

Minor Capital Requests

Minor Capital Requests are individual new development and capital renewal projects that have an individual value between $2,000 and $150,000 and are within the annually approved capital programmes. They include, but are not
limited to, Minor Capital Works, Infrastructure, IT, Communications, Library Books and Minor Equipment and Capital Equipment Committee.

The SLT Member will approve the annual Minor Capital Requests for their portfolios and submit an itemised bid for approval. The bid will be consolidated for inclusion in the Capital Plan where the total sum available for the various programmes is identified. The SLT member will ensure these programmes align with University strategy and the plans listed in this Policy. The Minor Equipment fund is apportioned to SLT portfolios and not subject to an itemised bid.

**Capital Equipment Committee**

The University Capital Equipment Committee shall be responsible for annual allocation of capital equipment committee funding as defined in the TYCP. The committee will conduct annual prioritisation of equipment bids through the Capital Equipment Round (CER) process as established through its terms of reference.

**Risk Management**

Project sponsors and managers shall ensure project governance structures and risk management practice are in place to proactively identify and manage project risks. This should include, but is not limited to, the use of project control groups, change management and approval procedures, contract variation, valuation and payment processes.

All projects over $2.0M in ‘total value’ shall utilise an Independent Cost Consultant to value the work completed, prior to approval of the payment certificate or invoice. A valuation statement shall accompany the payment certificate or invoice through the approval and creditors process.

**Financial Authority**

No financial activity of any kind (planning, construction or procurement) is to commence against a project or work without an approved financial authority (RFA). Financial authority documentation is to be completed in accordance with the Capital Planning and Approval Process, Request for Financial Authority (RFA) Procedure and the Delegations of Authority Policy.

**Planning, Procurement and Financial Management**

Capital funded projects, plant, equipment and books shall be planned, procured and financially managed in accordance with the ‘Related Procedures and Documents’ listed in this policy.

**Reporting to University Council**

Project Managers of major capital projects will provide a progress report quarterly to the National Capital Manager on the approved reporting template. The Assistant Vice Chancellor, Finance, Strategy and Information Technology will provide University Council with a bi-annual summary report for all projects over $1.0M in total value. This report will be additional to the monthly financial reports provided to the University Council.

**Definitions:**

**Group One – Recurrent Projects**

Recurrent capital projects are those which require annual approval and funding. Funding allocated in any one year must be spent in the year it is allocated and cannot be carried over to the next year.
Group Two – Carry Forward/Committed/Approved Projects

These are capital projects over the value of $150,000 which have a formal Business Case approved by the SLT or by University Council, consistent with the delegations policy and procedures.

Group Three – Projects Approved in Principle

These are capital projects over the value of $150,000 which are approved in principle by SLT or by University Council, consistent with the delegations policy and procedures. Group 3 project approval is subject to available funds. The projects will require completion of a business case using the scalable ‘Better Business Case’ methodology.

Group Four – Other Funded Projects

These projects are projects above the capital plan affordability which meet target rates of return after market rates of interest are applied. The project may be supported by borrowing or internal funding; the latter requires interest rates to be imputed to the project.

In all cases external borrowing consents are to be sought to enable optimal treasury management.

The projects will require completion of a business case using the scalable ‘Better Business Case’ methodology and shall comply with Ministry and TEC approvals for external borrowing.

Independent Cost Consultant

The purpose of an independent cost consultant is to critically assess the financial value of work completed prior to payment being made. This ensures there are no advanced payments, should the main contractor face financial difficulties and be unable to complete the project.

- “Independent” means the appointment of a company or person, who shall;
  - Be a suitably qualified and experienced quantity surveyor, or ICT estimator
  - Not be an employee of Massey University
  - Not be a company or person that is the main contractor, a design build contractor, project managers, architects or software vendor, to the project for which payments are being made.

Project Total Value

The financial capital value of all works and fees related to the development and completion of a project, including but not limited to, design, contract documentation, procurement, consents, development contributions, construction, software, configuration, implementation and training.

Audience:

All Staff

Relevant Legislation:

Public Finance Act 1989
Financial Reporting Act 1993
Financial Transactions Reporting Act 1996
Education Act 1989 and amendments
Legal Compliance:

Sub section 203 of the Education Act 1989 states that every tertiary institution (under that Act) is a “Crown Entity” for the purposes of the Public Finance Act 1989. The Public Finance Act 1989, s. 41 requires that financial accounts be prepared in accordance with generally accepted accounting practice and must contain statements as to the financial position, cash flows, financial performance to be achieved, commitments, contingent liabilities, accounting policies and financial operations for the financial year.

Where debt finance is required to undertake capital projects/works, s. 192(4) of the Education Act 1989 requires written consent from the Secretary of Education to:
- sell or dispose of assets or interest in assets
- mortgage or charge assets or interests in assets
- grant leases of land or buildings
- to borrow, issue debentures or raise money

And also regulates the Debt to Equity ratio, and Debt Servicing ratios.

Compliance with instructions issued under the Minister of Tertiary Education, Skills and Employment per s.192 (5) (c) of the Education Act 1989

All external reports must comply with generally accepted accounting practices as defined in the Financial Reporting Act 1993 and Amendments and the Financial Transactions Reporting Act 1996.

Payment procedures and payment timing shall comply with the Construction Contracts Act 2002, part 2 Payments.

Related Procedures and Documents:

Capital Planning and Approval Process
Business Case Policy and Procedure
Financial Monitoring and Control Policy
Delegations of Authority Policy and Documents
Request for Financial Authority (RFA) Procedure
Procurement Policy and Procedures
Tender Board Terms of Reference and Procedure
Capital Equipment Committee Terms of Reference
University Campus Development Plans
Information Services Strategic Plan
Risk Management Policy

Document Management Control:

Prepared by: National Capital Manager
Authorised by: Assistant Vice- Chancellor, Finance, Strategy & Information Technology
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