Purpose:

To ensure that asset investment requests, planning and approvals are aligned with Massey University’s (the University) strategic, financial and risk planning frameworks. These include the Massey University Strategy 2018-2022; Investment Plan, Capital Asset Management Plan, Campus Development Plans, Information Services Strategic Plan, the University multi-year plans and University policies. This policy applies to all spending on assets that has a capital component which fall into the categories of major capital projects, minor capital requests, Information and Communication Technology (ICT) projects, Library capital purchases, and plant and equipment purchases.

Policy:

The University will:

1. Identify as early as possible all significant capital intentions in multi-year plans and in its reporting processes.
2. Assess and prioritise investments according to the value of the proposal.
3. Make investment decisions that create the best value investment.
4. Monitor and control the implementation of an investment.
5. Review the performance of specific investments against expectations.
6. Continually review asset benefits and performance in relation to current and emerging needs.

In applying this policy, the University will comply with the relevant legislative frameworks, including adherence to its obligations under any borrowing consent approved by the Secretary for Education, and will follow best asset management practices in accordance with Capital Asset Management (CAM) Policy and framework (in development).

The Crown expects tertiary education institutions to adopt and apply good practice in the management of investments, in accordance with Cabinet Office Circular (15) 5, Investment Management and Asset Performance in the State Services. Investment choices and decisions need to be informed by disciplined processes that optimise the value generated from new and existing capital assets and enable investment in capital assets to achieve stated objectives.

Legislative Frameworks, Borrowing Consents & Financial Covenants

In making its investment and borrowing decisions, the University is bound by various legislative frameworks, borrowing consents and financial covenants (more fully explained in the sections: Relevant Legislation and Legal Compliance). The Minister of Tertiary Education, via the Tertiary Education Commission (TEC), is also able to set and review parameters that give effect to government policy. From time to time, the TEC will re-assess the materiality levels and types of investment or borrowing mechanisms that are subject to TEC or ministerial approvals.

TEC Financial Monitoring Framework and Capital Intentions Reporting

The Financial Monitoring Framework (FMF) was adopted by TEC in 2010 to monitor the financial performance of Tertiary Education Institutions (TEIs) in accordance with s.159KBA of the Education Act 1989. The FMF utilises a series of financial assessments to determine an overall TEI risk assessment. The overall FMF risk rating is a key
component in determining the level of reporting and associated financial monitoring and contact between the TEC and the TEI over the following year. A Capital Intentions Report is submitted annually as part of the FMF, and requires a 10-year forecast of major capital intentions match to affordability.

Ten Year Capital Plan

The Ten Year Capital Plan (TYCP) is the planning process the University undertakes to ensure asset investment is targeted to meet business needs and assets are appropriately renewed. It also identifies if the asset investment programme is within the overall affordability of the University, compliant with borrowing covenants.

The TYCP is an annual ten year rolling programme of asset investment projects which include buildings, infrastructure, utilities, equipment, vehicles and information and communications technology activities. Once compiled by Finance the TYCP is approved by The Senior Leadership Team (SLT) and University Council. Approval is for year one of the programme only, notwithstanding the major capital project contracts approved over multiple years. Subsequent yearly investments including forecasts are also noted.

The TYCP is underpinned by a forecast of capital plan affordability over the same period, so that a fiscally balanced, compliant and sustainable programme is presented.

Capital intentions are included in the TYCP through the following channels:

1. Major asset investment proposals (exceeding $300,000 in Total Project Cost (TPC))
   - Funding proposals that have received SLT approval-in-principle to proceed to business case (based on the University's business case requirements), and are able to be funded within capital plan affordability, are included as group three; approval in principle projects.
   - Proposals that are able to be fully externally funded, from sources over and above capital plan affordability, are included as group four; externally funded projects.
   - Other major asset investment proposals can be submitted for inclusion as horizon projects.

2. Minor asset investment proposals ($2,000 - $300,000 TPC)
   - Proposals can be funded through one of the existing recurrent programmes.

In addition, the Vice-Chancellor and Deputy Vice Chancellor Finance and Technology (DVC F&T) can approve investment in fixed assets which is not budgeted in the TYCP subject to their respective delegations in the Delegations of Authority Policy.

Major Asset Investment Project Proposals and Approvals

Major asset investment projects are individual new development, renewal and refurbishment projects over $300,000 in TPC, as listed in the approved TYCP.

Major asset investment proposals that have received SLT approval-in-principle proceed to business case, based on the University's business case scoping, risk assessment and strategic assessment processes, are included as approval in principle projects. Following SLT approval-in-principle, funding requests exceeding $300,000 TPC require a business case to be prepared in accordance with the University's Business Case Policy.

Thereafter, business cases are submitted to SLT for approval or endorsement to University Council.

- Proposals budgeted in the TYCP up to $5.0M TPC may be approved by SLT, or to University Council for projects greater than $5.0M in TPC.
- Unbudgeted proposals up to $1.0M TPC maybe approved by SLT, or to University Council for projects greater than $1.0M TPC.
Approval is conditional on funding sources being confirmed: either funding from within TYCP affordability, or funding from external sources.

**Minor Asset Requests and Approvals**

Minor asset requests are individual new development, renewal and refurbishment projects that have an individual value between $2,000 and $300,000 and are within the annually approved capital programmes. They include, but are not limited to recurrent programme funding lines for campus infrastructure, minor capital works, building renewal, information technology refresh and infrastructure programmes, library books, the Capital Equipment Committee (CEC) programme, and minor equipment.

Recurrent programme funding pools also exist for a range of minor equipment categories, including research equipment, aircraft, farm equipment and utility vehicles.

SLT Members with responsibility for group one programmes will prioritise the annual requests for their portfolio within the Council approved funding budgeted in the TYCP. The SLT Member will ensure these programmes align with University strategy and the plans listed in this policy. To release the funding SLT members will submit an itemised schedule of projects to Finance for project financial establishment, cash flow management and to ensure compliance with accounting standards and University accounting policies.

SLT members have responsibility for management of equipment portfolios with their reporting line. The DVC F&T will issue a memorandum annually, allocating the minor equipment budgets to reporting lines incorporating guidance and any associated conditions. SLT members should prioritise of new equipment purchases for the effective management of their equipment portfolios. Capital funding may be used to purchase equipment with a value over $2,000 in accordance with the Asset Financial Procedures.

**Capital Equipment Committee Annual Programme**

The University CEC manages and is responsible for the annual allocation of two funding streams of capital equipment for values between $20,000 to $300,000 and major items over $300k. The Committee will conduct the annual prioritisation of equipment bids through the equipment round process as established through its terms of reference.

**Project 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, in accordance with the University’s Project Management Policy and Risk Management Policy.

This should include, but is not limited to, the use of project control groups, project steering groups, change management and approval procedures, contract variation, project assurance processes, valuation and payment processes.

**Planning, Procurement and Financial Management**

Asset investment shall be planned, procured and financially managed in accordance with the ‘related procedures and documents’ listed in this policy. Procurement in excess of $100k are required to be submitted to the Procurement and Contracts Governance Board for approval, prior to purchase.

In particular, where the investment is in any plant or structure asset, health and safety is to be included in any planning and procurement processes in accordance with both legislative requirements and University policy.

Asset Investment funded projects will be guided and supported by the Procurement Office and the Strategic Project Management Office (SPMO).

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

Independent Cost Consultant

All projects over $2.0 million in total project cost shall utilise an independent cost consultant to financially value the work completed, including variations to the contract, 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.

Reporting to University Council

Project Managers of major asset investment projects are required to provide a progress reports to their various management committees using Massey’s chosen project management software. The DVC F&T will provide University Council with a bi-annual summary report for all projects over $1.0 million in total project value. This report will be additional to the monthly financial reports provided to the University Council.

Definitions:

Asset investment plan affordability

The ability to finance the proposed asset investment programme from the University’s funding sources: net surplus, annual depreciation, unallocated reserves, property sales, external funding partnerships and external borrowing (subject to the University’s debt capacity and borrowing consent conditions).

Recurrent programmes

Recurrent funded asset investment programmes are those which require annual approval and funding. Funding allocated in any one year must be spent in the year it is allocated and is not intended to be carried over to the next year.

Committed/approved projects

These are projects with a TPC over $300,000 where a formal business case has been approved by SLT or by University Council, consistent with the delegations policy and procedures.

Projects approved in principle

These are projects with a TPC over $300,000 that have received SLT approval-in-principle to proceed to business case, consistent with the delegations policy and procedures. Project approval is subject to capital plan affordability. These projects will require completion of a business case, in accordance with the University’s Business Case Policy.

Externally funded projects

These are projects that are fully externally funded. They require completion of a business case in accordance with the University’s Business Case Policy and they may also require Ministry of Education and TEC approval for external borrowing where funding requirements exceed the current approved borrowing consent.

Horizon projects
An asset investment proposal or intention (over $300,000 in TPC) in the early stages of development. A business need has been identified and there has been an initial high-level estimate of scale and cost, but one or more of the following steps have yet to be completed:

- Business case strategic assessment
- SLT approval-in-principle

Generally minor asset investment proposals are expected to be funded from existing recurrent programmes and would not be separately noted on the horizon list.

Independent cost consultant

The purpose of an independent cost consultant is to critically assess the financial value of work completed, including variations to the contract, 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 the 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.

Investment

The commitment of resources to the delivery of services with the expectation of receiving future benefits. Resources are typically committed through projects or programmes or portfolios.

Pre-project operating costs

A cost that is incurred during the feasibility and scoping stages of a proposal, before a business case is approved, is a pre-project operating cost and is not included in total project cost. These costs are typically identified during the Strategic Assessment stage, prior to the project receiving approval-in-principle to proceed to business case. SLT approval-in-principle can also include one-off approval for an operating budget allocation to cover these costs.

Total project cost

The financial value of all works and fees related to the implementation and completion of an approved project, including but not limited to, design, contract documentation, procurement, consents, development contributions, construction, software, configuration, implementation and training. Total project cost can include both operating and capital costs and is used to determine if the project can be approved by SLT or requires University Council approval.

A cost that is incurred during the feasibility and scoping stages of a proposal, before a business case is approved, is a pre-project operating cost and is not included in total project cost.

Capital Costs

Costs can be included in capital value where the goods or services being supplied materially add to the fair market value of an asset (either as an addition to an existing asset or in the establishment of a new asset). Costs that do not meet this test must be treated as operating expenses. Refer to Asset Financial Procedures for examples of project capital or operating expenses.

Audience:

All Staff

Relevant Legislation:

Crown Entities Act 2004 and amendments
Public Finance Act 1989 and amendments
Legal Compliance:

Crown Entities Act 2004 and amendments:
Crown entities are bodies corporate established by law in which the Government has a controlling interest but which are legally separate from the Crown. The Crown Entities Act 2004 establishes that tertiary education institutions (TEIs) are Crown entities, and that TEC is a crown agent, and the Act goes on to provide a framework for TEI governance and operation.

The TEC is empowered under the Crown Entities Act and Education Act to ensure that government policy in respect of crown entities is adhered to. In particular, the Minister for Tertiary Education and the Minister for Education are able to direct TEC on how certain policies are to be applied to the tertiary education sector. An example of this are the policies contained in Cabinet Office Circular (15) 5, Investment Management and Asset Performance in the State Services.

Specific obligations for TEIs are also to be found in the following legislation:

Public Finance Act 1989 and amendments:
The Education Act 1989, s. 203, states that every tertiary institution is a “Crown Entity” for the purposes of the Public Finance Act 1989. The Public Finance Act 1989, s. 45, 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.

Education Act 1989 and amendments:
Where debt finance is required to undertake capital projects/works, s. 192 (4) of the Education Act 1989 requires written consent from the Secretary for 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
S.194 (4)(d) states that an institution shall not exercise the right to borrow, issue debentures, or otherwise raise money without the consent of the Secretary for Education. The term borrowing includes any form of borrowing and includes such items as bank loans, finance leases, and arrangements with another party for the deferral of payments for the purchase of material assets and expenditure. The term finance lease includes any Public Private Partnerships (PPPs).

S.192 (5) allows the Minister for Education to set certain parameters in relation to: the sale of assets, the granting of leases and borrowing.

Borrowing Consent and Financial Covenants:
The Secretary for Education has delegated authority from the Minister (under s.194 (5)) to consent to a limit within which an institution may borrow without seeking individual approvals. The Secretary for Education has issued such a borrowing consent to the University, subject to the University maintaining minimum levels of financial performance in relation to the following ratios: Net Surplus, Cash Flow from Operations, Liquidity, Interest Cover and Debt to Equity. A further condition requires the University Council to concur with an Affordability Test prior to the commencement of any individual capital project that has a total project value of $10 million or greater. The test must provide the rationale why, on reasonable grounds, the University Council is satisfied that it will, both during and after completion of the project, remain within its covenants. The Affordability Test is to be available for TEC inspection if requested.
**Financial Reporting Acts:**

**Construction Contracts Act 2002 incorporating amendments and regulations:**
Payment procedures and payment timing shall comply with the Construction Contracts Act 2002, Part 2 Payments.

**Health and Safety at Work Act 2015**
S. 43 applies to a PCBU (*person conducting a business or undertaking*), meaning Massey University, who installs, constructs or commissions plant or a structure that is to be used, or could reasonably be expected to be used, as or at a workplace. The PCBU must, so far as is reasonably practicable, ensure that the way in which the plant or structure is installed, constructed, or commissioned ensures that the plant or structure is without risks to the health and safety of persons—

(a) who install or construct the plant or structure at a workplace; or  
(b) who use the plant or structure at a workplace for a purpose for which it was installed, constructed, or commissioned; or  
(c) who carry out any reasonably foreseeable activity at a workplace in relation to the proper use, decommissioning, or dismantling of the plant or demolition, or disposal of the structure; or  
(d) who are at or in the vicinity of a workplace and whose health or safety may be affected by a use or an activity referred to in any of paragraphs (a) to (c).

**Land Transfers and Titles**
Asset transfers from HMQ to Massey University, completed under the Crown Asset Transfer process, include specific encumbrances and legislative compliance interests listed on the land titles, recorded under the Computer Freehold Register Under Land Transfer Act 1952

**Related Procedures and Documents:**

- Investment Management and Asset Performance in the State Services, CO (15) 5  
- Ministry of Education Consent to Borrow under s192 (4) (d) and (7) of the Education Act 1989 (advised 30 March 2018, for expiry on 31 March 2021)  
- Capital Asset Management (CAM) Policy and Framework (in development)  
- Asset Planning Framework and Procedures  
- Treasury Policy and Framework  
- Risk Management Policy and Framework  
- Business Case Policy, Framework and Procedures  
- Project Management Policy and Framework  
- Request for Financial Authority (RFA) Procedure  
- Capital Equipment Committee Terms of Reference  
- Capital Budget Carry Forward Procedure  
- Procurement Policy and Procedures  
- Procurement and Contracts Governance Board Terms of Reference and Procedure  
- Delegations of Authority Policy and Documents  
- Contracts Management Policy and Procedures  
- Health and Safety Policy  
- Capital Development Post Completion Review Policy  
- Financial Monitoring and Control Policy  
- Asset Financial Procedures  
- Asset Disposal and Write Off Policy  
- University Campus Development Plans  
- Information Services Strategic Plan

**Document Management Control:**

Prepared by: National Capital Manager for the Chief Financial Officer