Capital Expenditure Application (CapEx) – Land and Buildings

Guidance Notes to Form

Section 1 - Financial Summary

**Responsibility for completion : College Management Group (supported by College Head of Finance)**

1.1 Total Project Costs – this figure should show the total initial estimated cost of the project. It should include all associated fees, builderwork, property acquisition and other direct project costs.

1.2 Total Project Grants – this figure should show the total amount of estimated donations or direct grants relating to the capital project. SFC capital funding should not be included.

1.3 Net Project Investment Required – this is simply the difference between 1.1 and 1.2.

1.4 NPV – 10 years – this is the Net Present Value of all the project related inflows and outflows. The figure emanates from the Discounted Cashflow appendix – last row, column Year 10. NPV is simply the net cost/benefit of the project stated in today’s monetary terms.

1.5 NPV – 20 years – this is the Net Present Value of all the project related inflows and outflows. The figure emanates from the Discounted Cashflow appendix – last row, column Year 20.

1.6 Project Funding Justification – a brief statement is required to confirm (or otherwise) if the project sits within the existing approved capital programme, or if it may require another project to be cancelled or deferred to allow it to proceed.

1.7 Project Summary/Description – this is simply a brief narrative overview describing broadly what it is intended to build or acquire in terms of this particular project application (normally 2-3 short paragraphs is all that is required in this section).

Section 2 – Authorisation

**Responsibility for completion : All those listed below, with coordination through the Estates Development Manager**

Project Sponsor – the completed form should be signed by the Project Sponsor to confirm the business case, before the completed form is submitted to Estates and Buildings (E&B) (Estates Development).

Director of Estates and Buildings – the form should then be signed by E&B Director to confirm that E&B are content with the property aspects of the proposal.

Director of Finance - the form should be signed by the Finance Director to confirm the financial aspects of the proposal. Normally the form would be signed at or soon after the CapEx Group meeting at which the form was submitted and approved.

Principal – forms for all projects with total value less than £500K should then be passed to the Principal for signature, and all such projects in this category would then be approved and be authorised to progress.

Estates Committee Convenor – all projects >£500K should then be submitted to Estates Committee. If approved at this stage, the CapEx form would then be signed by the Estates Committee Convenor.
Section 3 – Project Overview

Responsibility for completion: College Management Group (sections 3.1 – 3.4)
Responsibility for completion: Estates Development Manager (sections 3.5 – 3.6)

3.1 Project Scope, Objectives and Deliverables – narrative required covering these project aspects. Deliverables would include both physical outputs e.g. new refurbished accommodation, as well as any key academic or commercial benefits directly arising.

3.2 Project Alignment with University Strategic Plan – narrative required with reference to the University’s most recent Plan. Reference should be made to specific objectives within the Plan.

3.3 Non-Financial Benefits – narrative required describing what benefits to the University are likely to arise if the project proceeds, but which cannot be directly quantified in financial terms.

3.4 Other Options – narrative required explaining what other options may have been considered to meet the project objectives. This section should provide reference to option appraisal documents that may have been completed including financial or non-monetary factors comparison, and should also explain why any other options have been discounted.

3.5 Project Milestones etc – table showing key project milestones with dates, from project inception through to project completion.

3.6 Risks or Dependencies – table listing any major risks associated with the project, along with a description of what mitigating action would be taken if the particular risk transpires.

Appendix - Discounted Cash Flow

Responsibility for completion: College Head of Finance

This report lists all identified cash inflows and outflows which would arise over a forward 20 year period as a direct result of the project progressing.

The report is split into 3 sections –

1. Capital Costs and Income – these will primarily be the property related project costs, managed via the E&B Office, along with any direct grants or awards receivable. Most of the items within this section are likely to appear in the first 1-3 years of a project commencing, depending upon the size and nature of the project.

2. Income and Expenditure Items – these are all identified items of cash receipt or payment likely to occur within a 20 year timeframe of the project commencing, but which would arise directly as a result of the project going ahead. Only incremental inflows/ outflows for any heading should be shown i.e the difference between status quo and proceeding with the project. Any related heading of income or expenditure should be shown, and should cover both property and non-property aspects. Examples of items that may be shown might be actual property costs (for any costs or income that would not be ‘capitalised’), additional fee income, incremental property maintenance costs, direct savings arising from essential maintenance costs being subsumed with the project costs, incremental staffing costs, etc.
3. Discounted Cashflow – this section automatically calculates the annual and cumulative totals both in actual and discounted terms. NB forward cash flows are discounted to present value at an agreed rate (normally bank base rate + 0.25%). No further input or calculation is therefore required to complete this section. The cumulative net totals at year 10 and year 20 are carried forward on to the CapEx summary page (items 1.4 and 1.5 respectively).

Sensitivity analysis should be carried out where it is considered that the overall forecasts may be particularly ‘sensitive’ to possible change in any of the cost or income factors e.g. construction costs, level of external grants/donations, any commercial income, etc. Therefore a number (usually not more than 2-5) may be required to demonstrate NPV calculations based on views of differing levels of risk. If more than one sheet is produced, then it is the ‘range’ of possible NPV outcomes that should be carried forward to section 1 of the form (see above).