



ASSET INVESTMENT POLICY

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| Section | Finance |
| Contact | Senior Capital Planner / Accountant |
| Last Review | November 2021 |
| Next Review | November 2025 |
| Approval | Council C21/142 |

Purpose:

The purpose of this policy to articulate the framework for how assets investment decisions will be planned and prioritised at Massey University (the University).

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.
3. Make investment decisions that create the best value for the University.
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.

Ten Year Capital Plan

The planning process, as represented in the Ten Year Capital Plan (TYCP), is the 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 consents.

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 High Profile Unfunded 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 University Services (DVC US) can approve investment in fixed assets which are not budgeted in the TYCP subject to their respective delegations in the Delegations of Authority Policy.

Major Asset Investment Project Proposal and Approval Process



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

Major asset investment proposals require a business case that is to adhere to the University's Business Case Policy and Framework.

All approvals are conditional on funding sources being confirmed: either funding from within TYCP affordability, or from external sources.

Minor Asset Request and Approval Process

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 Round (CER) process, and minor equipment.

Recurrent programme funding pools also exist for a range of minor equipment categories, including 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 via the RFA process to Finance for project financial establishment, cash flow management and to ensure compliance with the accounting standards and University accounting policies.

SLT members have responsibility for management of equipment portfolios within their reporting line. The DVC US (or delegate) will issue a memorandum annually, allocating the minor equipment budgets to reporting lines incorporating guidance and any associated conditions. SLT members should prioritise new equipment purchasing requests 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 Round

The University Equipment Advisory Group (The Group) recommends the annual allocation of two funding streams of capital equipment for values between \$20,000 to \$300,000 and major items over \$300k. A prioritised list is received from each reporting line (approved by the respective PVC, DVC or Provost). The Group assesses each item and consolidates a recommended list of investments. The recommended investment is submitted to the DVC US (or delegate) for approval. This process is defined in its terms of reference.

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. Any procurement in excess of \$100k is required to be submitted to the Procurement and Contracts Governance Board for approval (although there is discretion for items between \$100k and \$250k), 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



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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

Refer to Project Management Policy for policy around using independent Cost Consultants.

Reporting to University Council. Refer to Project Management Policy for reporting requirements.

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.

High Profile Unfunded projects

An asset investment proposal or intention (either over \$300,000 in TPC or of strategic importance) in the early stages of development is considered High Profile Unfunded (HPU). 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 HPU list.

Independent cost consultant

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



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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; and
 - 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 TPC. 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 (TPC)

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. TPC includes both operating and capital costs and is used to determine if the project can be approved by SLT or requires University Council approval.

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

Education and Training Act 2020 and amendments

Financial Reporting Act 1993 and amendments

Financial Transactions Reporting Act 1996

Construction Contracts Act 2002 and amendments and regulations

Health and Safety at Work Act 2015

Related Procedures and Documents:

Investment Management and Asset Performance in the State Services, CO (15) 5



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Ministry of Education Consent to Borrow under s282 (4) (d) and (7) of the Education and Training Act 2020
(expiry on 31 December 2024)

Capital Asset Management (CAM) Policy

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 Down Policy

University Campus Development Plans

Information Services Strategic Plan

Document Management Control:

Prepared by: Senior Capital Planner / Accountant for the Chief Financial Officer

Authorised by: Deputy Vice-Chancellor, University Services

Approved by: Senior Capital Planner / Accountant

Last review: November 2021

Next review: November 2025