

Capital Expenditure Committee Agenda | PART A

23 November 2020

ClockTower Council Meeting Room 105-210

9.00am to 10.30am



Page
No.

<p>1. Apologies</p>	<p>Please send apologies to j.metcalfe@auckland.ac.nz</p>	<p>The Chair moves that the apologies, if any, be noted.</p>	
<p>2. Disclosures of Interest</p>	<p>The attention of Members is drawn to the Conflicts of Interest Policy and the need to disclose any interest in an item on the Agenda of the meeting as set out in s175 of the Education Act 1989.</p>	<p>The Chair moves that the disclosures, if any, be noted and the action taken be endorsed.</p>	
<p>3. Minutes of Capital Expenditure Committee of 22 May 2020</p>	<p>Item No 3.1: Minutes, Part A Item No 3.2: Matters Arising from the Minutes, Part A, not elsewhere on the agenda.</p>	<p>The Chair moves that the Minutes, Part A, of the Finance Committee held on 22 May 2020 be taken as read and confirmed.</p>	<p>p.xx</p>
<p>4. Other Matters for Decision or Noting</p>	<p>Item No 4.1: Committee Terms of Reference</p>	<p>The Chair moves that</p> <ul style="list-style-type: none"> i) The report be received and noted ii) Capital Expenditure Committee recommend to Council that the amended Committee Terms of Reference be adopted. 	<p>p.xx</p>
<p>5. Leave of Absence</p>			
<p>6. Public Exclusions</p>	<p>The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:</p> <p>General subject of each matter to be considered:</p> <p>Item No 7.1: Capital Expenditure Committee Meeting 22 May 2020, Minutes Part B</p> <p>Item No 7.2: Capital Expenditure Committee Meeting 22 May 2020, Matters Arising from Minutes, Part B</p>	<p>The Chair moves that the public be excluded from Part B of this meeting AND THAT Mrs Cleland, Mr Gudsell, Mr Neale, Mr Clark, and Mrs Metcalf be permitted to remain for this part of the meeting, after the public be excluded, because of their knowledge of the matters to be discussed. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because they relate to aspects of the administration of the University of Auckland for which those persons are responsible.</p>	

Item No 8.0: Science Post Implementation Review
Item No 9.0: Capital & Strategic Projects Update
Item No 10.0: Vice-Chancellor Capex Delegation Report
Item No 11.0: Divestment of Fixed Asset

Reason for passing this resolution in relation to each matter:

The protection of the interests mentioned below.

Grounds under section 48(1) for the passing of this resolution:

Those in Section 9 of the Official Information Act 1982
namely:

- i) To protect the privacy of the persons referred to in the recommendations and to maintain the confidentiality of those recommendations;
- ii) To enable the University to carry on without prejudice or disadvantage negotiations; and
- iii) To prevent the disclosure or use of Official Information for improper gain or advantage.

CAPITAL EXPENDITURE COMMITTEE

Terms of Reference 2020

1. Purpose

The purpose of the Capital Expenditure Committee is to ensure that all major capital expenditure is supported by a quality proposal, advances the University's strategic objectives and is financially sustainable.

2. Responsibilities

The Capital Expenditure Committee is responsible for considering all capital expenditure proposals over \$10 million, with a particular focus on:

- the contribution each proposal would make to achievement of Strategic Plan objectives, and
- the financial sustainability of each proposal

A 'capital expenditure proposal' means a proposal for the:

- acquisition of land, or
- acquisition, construction, extension, modification or refurbishment of a building, or
- acquisition of a piece of equipment, or
- acquisition or development of an IT system or application, or
- acquisition of shares or equity like investments outside of investing the University's working capital, or
- acquisition of a work of art
- acquisition of other asset or financial commitment

where the resulting expenditure would be capitalised under the University's Accounting Policies.

[The University's Sensitive Expenditure Policy will apply.](#)

In addition, a "capital expenditure proposal" shall also be deemed to include a write-off, write-down, disposal or demolition of assets currently capitalised as well as long-term leases whose size and duration of commitment is akin to capital expenditure. (For the avoidance of doubt, all new or renewed leases where the undiscounted committed lease payments exceed \$10 million shall be treated as "capital expenditure".)

'Financially sustainable' means a position where the University, in the medium to long term, satisfies its targeted operating, cashflow and balance sheet parameters, whether set by the Council or monitored as a risk criterion by TEC, or covenanted to in connection with any borrowing undertaken.

The Capital Expenditure Committee will receive advice of capital expenditure approved by the Vice-Chancellor for any individual proposals in excess of \$5m.

The Capital Expenditure Committee, at its discretion, may request management to provide progress or milestone reports relating to particular capital expenditure approvals. A Post Implementation Review (PIR) will be presented to the Capital Expenditure Committee where so required by the University's Post Implementation Review Policy.

3. Proposals

The Committee will consider proposals only on the ~~signed written recommendation~~ of the Vice-Chancellor. Proposals forwarded by the Vice-Chancellor for the Committee's consideration will normally have been previously considered and recommended by the relevant members of the ~~Senior Leadership Team University Executive Committee~~.

Commented [AC1]: Allowing for digital processes.

The Vice-Chancellor's covering note shall summarise his/her assessment of the proposal's relative capacity to advance the University's strategic objectives in a financially sustainable manner.

Proposals must comprise business case in support of the proposal, and a quality assurance report.

3.1 Business Cases

The business case in support of a proposal should be prepared ~~and endorsed by and signed~~ by the relevant member of the University Executive Committee, Dean or Director of the sponsoring Faculty, Large Scale Research Institute or Service Division. The business case must comprise:

- a summary of the proposal including, as appropriate:
 - a textual description
 - plans, specifications and visuals
 - a costing
 - an outline of the project delivery strategy, including the proposed approach to contracting, project management arrangements and a programme
- the strategic case for the proposed expenditure, which must be based on the Strategic Plan and outline how, directly or indirectly, the proposal will enhance the achievement of the Strategic Plan objectives, including the impact on:
 - teaching quality
 - postgraduate completions

- research activity and external research income
- student and staff experience
- the University's standing
- the business case for the proposed expenditure, including:
 - an outline of the proposed or projected capital expenditure, operating expenditure and revenue resulting from or required by the project, with analysis supporting all material assumptions and judgements
 - an outline of any proposed philanthropic or sponsorship or other external support, including specification of any minimum level which the proposal is contingent on
 - an outline of risks arising from the proposal, and risk management strategies
 - projected operating and cash flow statements
 - return on investment and/or net present value

Where realistic options to the recommended proposal exist and were considered, the Committee should also be provided with an outline of those options and a statement of the reasons for selecting the recommended option.

3.2 Financial Sustainability Reports

Each proposal must be accompanied by or incorporate a financial sustainability report prepared by and signed by the Deputy Vice-Chancellor (Operations) and Registrar.

Commented [AC2]: Reflecting the "Better Business Case" format where the financial sustainability section is incorporated in the case.

This report should advise how the recommended level of expenditure compares with any provision made for the proposal in the University's capital budget for the current year, and the most recent revision of the Long-term Academic & Capital Plan (LTACP). If the proposal is recommended at a materially higher level of expenditure than provided for in the LTACP, then the report should outline the impact of the proposal on the University's financial position and the University's capacity to fund the proposal. The financial sustainability report should also indicate whether or not there have been any changes in circumstances, since the last revision of the LTACP, which have had or are expected to have a material adverse impact on the University's financial position. Where this is the case, the report should include an interim update of the University's projected debt profile demonstrating:

- the actual or expected impact of the change(s) in circumstances, and
- the impact on the University's financial position of the proposed capital expenditure, and
- the financial sustainability of the proposed capital expenditure in light of the change(s) in circumstances

If the proposal is contingent on a minimum committed level of new philanthropic or sponsorship support, the financial sustainability report must include a note ~~from prepared and signed by the Deputy Vice-Chancellor Strategic Engagement Director of External Relations and Development~~ outlining the proposed approach and confirming it is consistent with and integrated into the University's overall approach.

4. Review of Terms of Reference

The Committee shall review its Terms of Reference and report to Council the outcome of that review every year.

5. Membership

The Committee shall comprise the Chancellor and Pro-Chancellor, the Vice-Chancellor, and the Chairs of the Finance and Audit and Risk Committees.

Council may also appoint 1 or 2 of its lay members as additional members of the Committee. The Chancellor is the Chair of the Committee and the Chair of the Finance Committee is the Deputy Chairperson.

6. Term of Appointment

The term of office of each member of the Committee will be one year.

7. Meetings

~~The Vice-Chancellor (or the Deputy Vice-Chancellor (Operations) and Registrar on his behalf) will call~~ A meeting of the Committee will be scheduled whenever there is a proposal to consider. With the agreement of the Chair, the Committee may meet by postal ballot, provided the required papers accompany the proposed resolution and no Committee member requests a meeting.

8. Management Attendance

The following members of management will normally attend meetings of the Committee:

- the Deputy Vice-Chancellor (Operations) and Registrar,
- the Chief Financial Officer,
- the Director of Property Services (in the case of proposals relating to property), and
- the member of the University Executive Committee Dean(s) and/or Director(s) sponsoring or otherwise directly responsible for the proposal to be considered.
- The Chief Digital Officer (in the case of proposals relating to IT)

9. Secretarial Support

The Deputy Vice-Chancellor (Operations) and Registrar will provide secretarial support for the Committee and ensure that a complete record of the proceedings of the Committee including agendas, minutes and papers, proposals, advice and reports provided to the Committee is maintained in permanent form.

10. Authority

The Committee has delegated authority to approve capital expenditure proposals greater than \$10 million and less than \$25 million. The Committee's delegated authority is subject to the condition that total capital expenditure in the current financial year, whether approved by the Committee or otherwise, shall not exceed by more than \$15 million the budgeted total capital expenditure for the year unless a

budget variance is approved by Council. Where a capital expenditure proposal exceeds \$25 million, the Committee shall make a recommendation to Council concerning approval of the proposal.

11. Reporting

Minutes of each meeting of the Committee, recording proposals approved and/or recommendations to Council shall be provided to the following meeting of Council. Where the Committee has approved a proposal under its delegated authority, a copy of all papers considered by the Committee relating to the proposal shall be kept in the Vice-Chancellor's Office for inspection on request by Council members.

12. Conflicts of Interest

Committee members must declare any real or perceived conflicts of interest in line with the requirements of the University's Conflicts of Interest Policy.

13. Confidentiality

Committee members have a responsibility to treat all information with appropriate confidentiality. This includes matters tabled or discussed at the Committee meetings, as well as any additional issues that are raised outside meetings.