

## **EDGE HILL UNIVERSITY AND ITS SUBSIDIARY COMPANIES**

### **CAPITAL INVESTMENT & DIVESTMENT PROCEDURES**

#### **1. DEFINITION**

Capital expenditure is defined as expenditure on assets with a significant value, a useful life in excess of one year, and which can be readily identified.

Capitalised assets are categorised as Land, costs associated with the construction of buildings ("buildings"), Vehicles, Computers and Ancillary Equipment, Computer Software, Furniture, Audio/Visual Equipment, Scientific and Technical Equipment, Educational Equipment and Other Equipment. Capital assets are charged to the balance sheet and not income and expenditure accounts, with depreciation of the assets being charged to income and expenditure.

Building refurbishment will only be treated as capital expenditure where the refurbishment of the building results in an enhancement and change in the capability of the building. In all other cases repairs and refurbishment which are principally to bring the building up to a good and usable state will be treated as maintenance.

Furniture purchases will only be treated as capital expenditure where a new or refurbished facility is being equipped or where the furniture has a substantial unit value. In all other cases furniture will be treated as revenue expenditure.

Capital items are individual items over £1000 each including VAT and all computers.

#### **2. AUTHORITY LIMITS**

Authority limits for the **acquisition** and **disposal** of assets are reflected in the table below:

<b>Authorisers</b>	<b>Limits</b>
Finance & Resource Committee of the Board of Governors and the Main Board of Governors	Refer to financial regulations appendix 2
Head of School/Service, Director responsible and Chief Executive	Refer to financial regulations appendix 2
PVC (Resources)	All proposals to dispose of capitalised assets

### **3. TENDERS, CONTRACTS AND CONTRACTORS**

For details of tender requirements, contract specification and selection of contractors/suppliers please see Edge Hill University's Financial Regulations.

### **4. CAPITAL BUDGETS**

All academic and service departments must submit an indication of major areas of potential capital spend as part of the annual budgeting process. Guidelines are provided in the annual budget pack. Against such indications, a central budget allocation will be made by Directorate.

### **5. PROCEDURES**

1. For all proposals of capital expenditure in excess of £1000 including VAT and all computers, a fully authorised Capital Expenditure (CAPEX) Proposal Form must be prepared (in accordance with the authority limits set out in 2 above) with an appropriate business case appended. If the background reasons and justification of the proposal require more space, additional sheets should be attached as necessary. If assistance is required in preparing the business case, the advice of the Director of Finance should be sought. For all communication and IT equipment the form must be signed by the Director of IT Services. CAPEX Proposal Forms are supplied by Finance.

Note, the CAPEX Proposal Form should also be used for all IT related equipment and software that is less than £1000. The level of authority required for such expenditure is Head of School/Service as well as the Director of IT Services. The completed form should be sent to Finance whereupon it will be checked and forwarded to IT Services for ordering.

2. Once the fully authorised CAPEX proposal form is completed it should be sent to Finance for coding. For items which do not qualify as capital, the originating department will be informed that such items can be raised against a revenue code. The top copy of the proposal will then be forwarded to the School/Service or IT Services as appropriate.

*For all communications and IT equipment IT Services will raise the purchase orders as per IT Services Communications & IT Procurement Policy. (NB Some revenue charges such as delivery will be charged to departments own revenue budgets).*

3. All Directorate-approved capital projects in excess of £500,000 will be submitted by the Vice-Chancellor and the PVC (Resources) to the Finance and Resources Committee of the Board of Governors and the main Board of Governors for their approval at the appropriate time.

## **6. POST EXPENDITURE REVIEWS**

All capital expenditure projects of £1m or more will be subject to a post-expenditure review by the Audit and Finance & Resource Committees of the Board of Governors.

All other capital projects may be subject to a post-expenditure review by the Vice-Chancellor and/or the PVC (Resources) as necessary.

## **7. VERIFICATION OF ASSETS**

University departments are responsible for ensuring that all fixed assets purchased from their capital budgets are held in a secure location.

In the event of an asset being transferred to a different location, stolen or disposed of the appropriate form should be completed.

The 'Capital disposal form' is used for disposals or stolen assets. It is three part stationery and should be completed in full with the asset number (job number on purchase requisition) clearly scribed. All parts should be returned to the Finance Department.

Following update of the database, the form will be signed off and the blue copy will be returned to the department for their records. The white and yellow copies are retained for financial records.

The 'Change of location form' is two part stationery and should be completed if a capital asset is transferred from the location indicated on the original CAPEX. The form should be completed in full with the asset number (job code) clearly scribed. Both parts should be returned to the Finance department. Following update of the database the blue copy will be returned to the department for their records.

Every five years, Finance will undertake a full asset verification test with departments who must confirm that all assets recorded have been physically verified and remain in use. A list of the assets to be audited will be sent to the designated officer within the department prior to the audit to enable the officer to plan their workload.

The Assistant Financial Accountant will then meet with the designated officer to verify that all assets held are secure and in the location identified on the database as well as that the specifications are correct. Any discrepancies found will be noted and reported to the Financial Accountant.