

University of St Andrews

Financial Operating Procedure

Management Capital Investment Projects

1. Introduction

This Financial Operating Procedure (FOP) outlines how the Management of Capital Investment Projects can be taken forward. It is an operational extension of the Standing Financial Instructions which are established and approved by the University Court.

This procedure provides guidance to University staff in the management of Capital Investment Projects (deemed to be those with an investment value of £0.250million and above). It should be noted this process restricts itself to investments that alter or adapt the University's built environment. Investment in process or system change are referred to the Financial Operating Procedure for Management of Business Transformation Activities.

This procedure covers:

Section 2 – Decision Making Process,
Section 3 – Business Case Process,
Section 4 – Individual roles for involvement in the development and delivery of any project.

Capital investment projects should bring benefits to the University. These benefits can be delivered through demonstrable improvements in service provision/expansion, reduction in risk, improvement that supports activity or services to proceed where previously they could not or by supporting income generation for the University.

The benefit expectations should be clearly outlined in the business case for investment with due regard given to capturing and demonstrating/measuring the benefits realised against expectations following completion of the project.

This procedure is mandatory to all staff. This procedure applies to all expenditure, regardless of funding source, reflecting the importance of managing large schemes effectively and efficiently with a clear understanding of all within a project of their Roles and Responsibilities.

2. Decision Making Process

Prioritisation of capital investment schemes is co-ordinated by the Space and Asset Management Group (SAMG). Any cases for investment must go to this group for approval. As per the Scheme of Delegation (SoD), the Master, Quaestor and Chief Financial Officer have collective authority for investment decisions of up to £1million. For schemes of over £1million, the SAMG will control access to the Planning and Resources Committee (PARC) for approval

of schemes of between £1m and £5m, and for schemes above £5m, ultimately to the University Court via PARC.

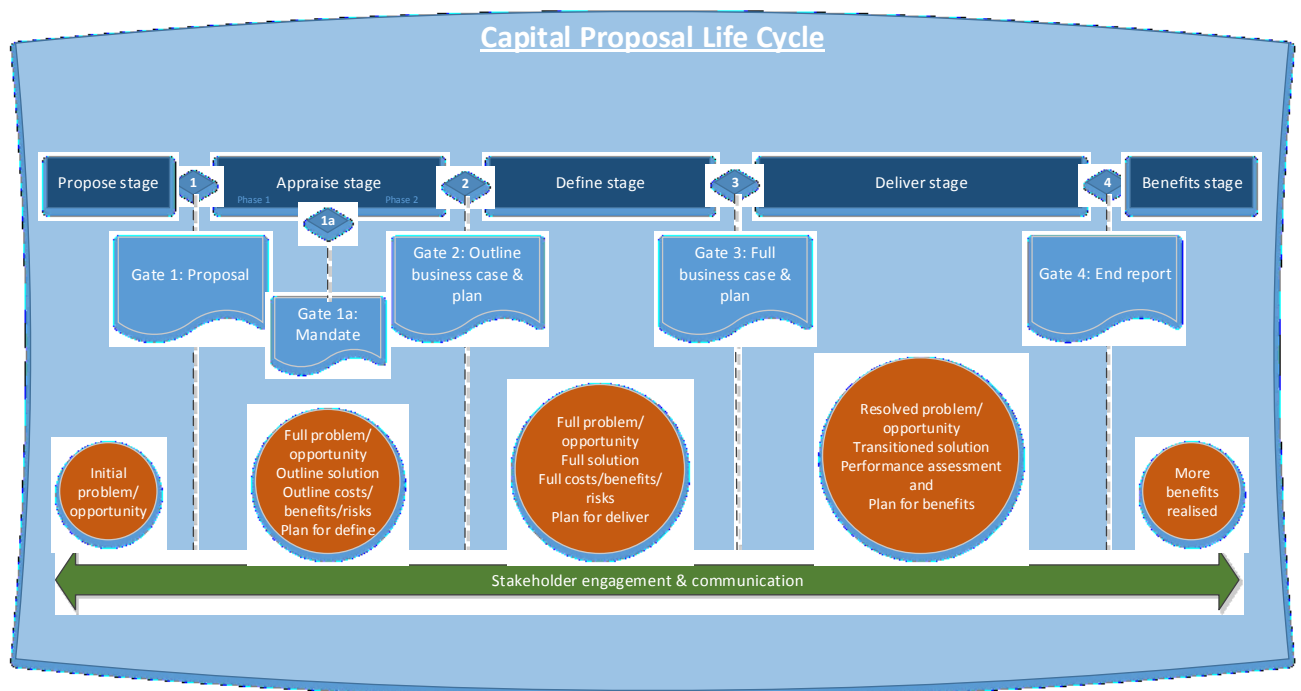
SAMG will also provide liaison with other decision making groups in the University including the Principal’s Office (PO), the Business Transformation Board (BTB) and the Workforce Planning Group (WPG). The Master chairs SAMG, but proposals for consideration must be made via the Project Development team in Estates.

SAMG needs to see a Business Case for each project. Each business case will be expected to develop as the understanding of a proposal evolves through each of the stages set out below. This approval process is to ensure projects which are not supported at any point are stopped and do not consume further resource. Likewise, projects which are supported through the full planning cycle should ensure risks are mitigated wherever possible and benefit are realised as planned.

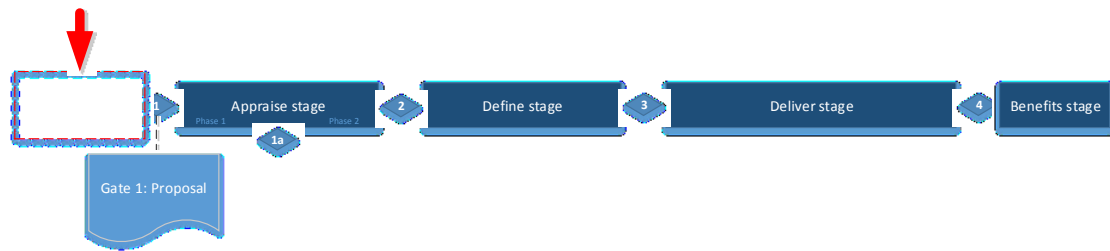
3. Business Case Process

The University operates a consistent project life cycle process for all business cases. Each stage of consideration should include increasing levels of detail, with a higher degree of certainty on costs and benefits arising following completion. This should demonstrate a relationship between the anticipated benefits to the achievement of the University’s strategic goals relative to the investment costs.

The table below summarises the business case process through which proposals will be developed;



3.1 Stage 1 – Propose Stage



Projects can be initiated in a number of ways, either through a direct strategic requirement, a management request for change/improvement, or from identification of a need for change from front line staff. This process does not seek to stifle the process of project initiation but provide a clear path for consideration.

The output of the propose stage will be the preparation of an Initial Business Case for consideration by SAMG, via submission to the Master.

A Core Project Team consisting of a Project Sponsor, a Project Manager and a Senior User (see Section 3 for definitions) will need to be established. The project team is expected to produce a Project Plan that would include a description of the proposal, the goals and objectives of the investment, the anticipated costs and benefits involved and an outline of the risks faced. Anticipated costs at this stage should provide an additional contingency fund amounting to 100% of actual anticipated costs. This Project Plan is expected to evolve in detail and clarity as the project itself progresses. If resources are required to develop a project at this stage these are assumed to be provided internally from the existing resources of the project promoters.

It is essential there is early engagement with relevant Service Units to ensure they are aware of the Project's Inception and encourage effective engagement at this and future stages of the project as it progresses. This engagement should be evidenced within the Project Plan. The plan should provide for key decision points throughout the project's duration, including but not limited to the formal Gateway reviews. The Service Units, which would generally be expected to be involved are;

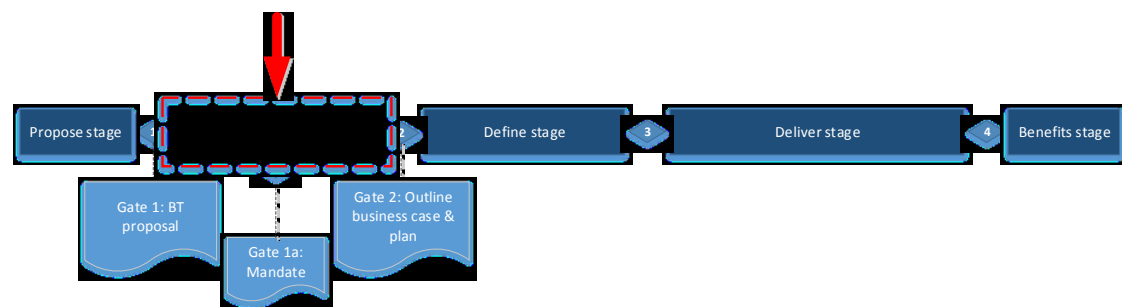
- Procurement,
- Estates,
- Health & Safety,
- Corporate Communications,
- Finance,
- Human Resources,
- IT Services.

This list should not be regarded as exhaustive. Each individual Service Unit will be responsible for engaging within their own, and with other relevant units at each stage of the project.

It is essential at this early stage that the Project Sponsor and the Core Project Team have full ownership of the process to be followed and are clear where responsibilities sit for tasks essential for the project's success rest. Empowerment to deliver relevant tasks as appropriate is essential.

This propose stage concludes in a Gateway Review of the Initial Business Case, conducted by SAMG, before the project can proceed further. If successful, the project will then pass into the Appraise Stage.

3.2 Appraise Stage



The output of the appraise stage will be the preparation of an Outline Business Case for consideration by SAMG, via submission to the Master.

This Outline Business Case should be an extended and more detailed version of the Initial Business Case approved at the Propose Stage.

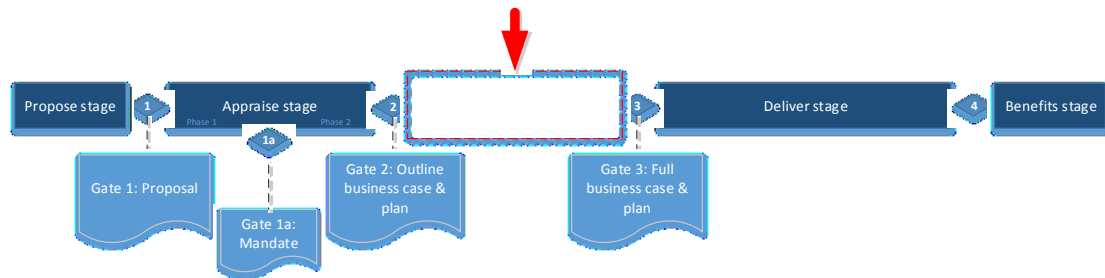
At this stage, the scheme will also be incorporated within the University Capital Investment Plan. If there is significant movement from the Initial Business Case, there should be reference back to SAMG for a Gate 1a review, to ensure that despite such change, overall approval remains in place.

An Outline Business Case should set out a more detailed proposal with regard to costs and benefits, along with resources required to the proposal. In providing forecast costs, a project contingency of +40% should be included, reducing from the initial 100% cost contingency, based on a more detailed review of requirements and deliverability.

Alongside the Outline Business case, the Project Sponsor should carry out review, which requires positive assurance from the Core Project Team and those supporting professional disciplines that they are content with the progress of the project in line with key requirements. The Outline Business case should also be accompanied by an overall plan and timeline for testing the options outlined and for moving through final approvals to implementation.

If resources are required to develop a project to this stage these are assumed to be provided internally from the existing resources of the project promoters.

3.3 Define Stage



The culmination of the propose stage will be the preparation of an Full Business Case for consideration by SAMG, via submission to the Master.

During this stage of work, the options outlined in the Appraise Stage should be thoroughly investigated and a preferred option identified. The rationale for this selection should be documented.

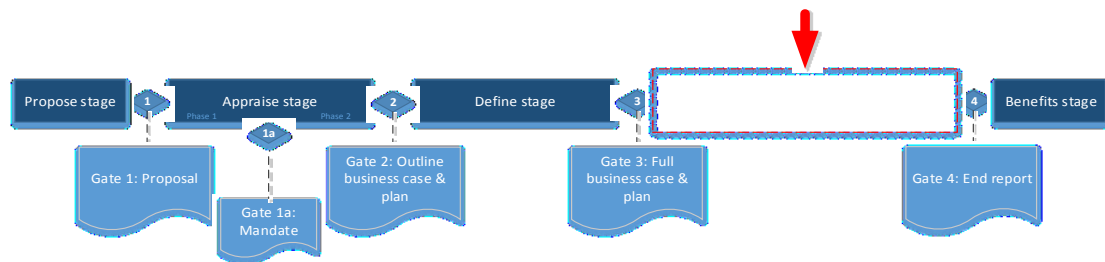
The Full Business Case should fully explain the rationale for the project, the goals, objectives, constraints, benefits, resources required and the risk management strategy. It should conclude with a recommended option, including a rationale for that option over others considered. The cost plan would be expected to be provided with significant certainty of capital and ongoing costs, such as a utility forecast.

The Project Plan would be expected to outline the monitoring and control processes that would be in place during the implementation phase. This should also outline the actions required to bring about any growth in activity or service reform required to meet the business case objective. A fully developed risk register would be expected to be provided with effective risk mitigation strategies in place for all major risks. Any areas where this was not possible should be clearly and explicitly highlighted.

In presenting the cost consequences, there should be clearly defined and identified contingencies, including a reasonable project contingency which would be expected to be in the region of 5% to 20% depending on the nature of the scheme.

If resources are required to develop a project to this stage these are assumed to be provided internally from the existing resources of the project promoters.

3.4 Implementation

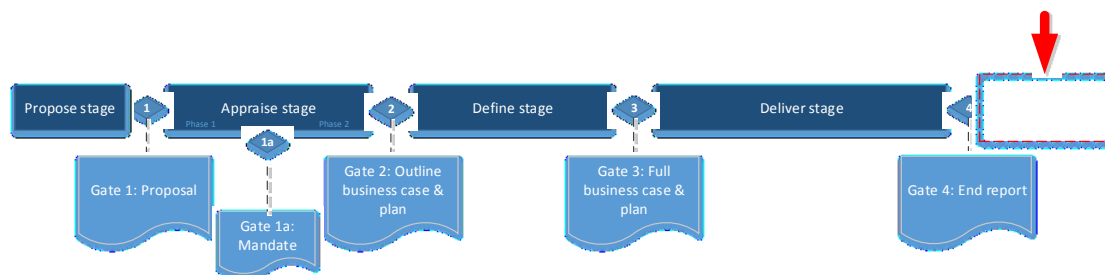


This stage would see the implementation of the project in line with approval given by SAMG/PARC/Court as required via the SoD.

Up until this stage, the work will have been focussed on considering the options and making a clear recommendation for implementation. As the project moves through implementation, the focus of the Sponsor, the Core Group and the Project Board must be on minimising any scope creep, which inevitably will lead to cost escalation, and on ensuring the benefits promised through the Project Planning process are realised.

The output of Stage 5 would see any new asset in place, meeting the project goals of time, quality and cost which realises all of the targeted benefits sought by the University.

3.5 Stage 6 – Post Implementation Review



The University would expect a Post Implementation Review to be conducted between 6 and 12 months following the implementation of the plan. This review needs to consider whether the benefits sought were realised and to identify any improvements that could be implemented for future projects.

4. Roles & Responsibilities (Core Project)

The following is a list of roles that would be expected to exist as the Core Project Team within any project and their respective roles;

4.1 Project Sponsor

This will be a senior member of staff (ordinarily this will be a member of the Principal's Office) who will lead the project through all of its stages, but is not directly related to the sponsoring/senior user Unit/School. The primary responsibility of the Project Sponsor shall be to;

- ensure this FOP is adhered to,
- ensure that a Core Project Team is formed,
- manage the project taking appropriate advice from the Project Manager and Senior User,
- report regularly on progress of the project to SAMG/PO as required
- ensure stakeholders are fully and properly engaged,
- ensure the Project is delivered within the scope of time, quality and cost,
- ensure the promised benefits to the University are realised.

4.2 Core Group

The core group will include the Project Sponsor, the Senior User and the Project Manager. It is at the discretion of the Project Sponsor who forms part of this group or who is invited from time to time to participate.

This central group will support the Sponsor in specifying clearly the needs of the project in order to realise the benefits, ensuring it is implemented effectively.

The Core Group should contain sufficient representation to ensure there is sufficient skill, experience and knowledge available to properly manage the project and to achieve the benefits sought.

4.3 Project Board

In some projects, particularly where there are multiple user communities, it may be advisable to create a Project Board into which the Core Project Team would report. It is the Project Sponsor's decision as to whether such a wider group is formed initially and throughout the life of the project. Large schemes, those over £5m, should also consider a Project Board, reflecting the likely size and complexity of the proposal.

The Project Board provides an added layer of governance to the project but in no way diminishes the overall responsibility for the projects success (as outlined above) which rests with the Project Sponsor.

4.4 Project Manager

All schemes should have an internal Project Manager who will take on the day-to-day role of ensuring project delivery in line with the specification/requirements set by the Project Sponsor/Project Board. The Project Manager is expected to be professionally qualified in the area in which the project is delivering i.e. for a Construction Project this would be an experienced and suitably qualified building professional, for an IT Project this would be an experienced and suitably qualified IT professional etc.

The Project Manager will be expected to deploy and follow an established Project Management methodology that is appropriate for the given nature of the specific project.

The Project Manager would report to the Project Sponsor ensuring the Project Sponsor was fully and professionally advised throughout the project in a manner to ensure successful delivery of the project.

The Project Manager would be expected to work very closely with the Senior User to ensure key user requirements are fully and properly considered and taken account of at all stages of the project.

The Project Manager would be expected to support the Sponsor and Senior User in developing a scope which meets the business needs, which enables benefits to be realised and, once the project scope is agreed, to deliver the scheme within the constraints of time, quality and cost.

4.5 Senior User

The Senior User would report to the Project Sponsor and is responsible for developing the business case for the project, ensuring key service objectives will be met. The Senior User will also be responsible for leading on users requirements in engaging with the Project Manager and design team throughout the project.

The Senior User would be expected to work very closely with the Project Manager in ensuring that appropriate user requirements were fully understood and reflected in proposals.