TOF SUSSES	
	Chief Financial Officer
	Assistant Director of Finance (Finance and Corporate Services)
	Capital (Infrastructure and IT) Project Board
	September 2019
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	Financial Regulations Management and Use of Contingency in Estates and IT Projects Purchasing policy
	The rules will be reviewed after the first year of use and thereafter 3 yearly or on an ad-hoc basis in response to relevant regulatory change.

This document sets out the rules on costs qualifying to be charged to an approved project budget and which should be included in the budgeted total cost of a project when a proposal to invest is made.

The Financial Regulations state that The Chief Financial Officer shall issue and update financial policies and procedures setting a procedures for the application of the Financial Regulations.

- 3.1 budget is for The rules apply to Est projects for which pr Chief Oper -Cha regulations. 3.2 ich should be taken into ac The rules set out the d hen calculat project budget and whi igible to be charged to a pro bet 3.3 equired to manage the ri The rules set out the at creases in pr an authorised project costs over time become Exclusions from the sco 3.4 3.4.1 ce policy on pricing and costin Research project e subres 3.4.2 icy on the capitalisation of project costs is not within Financial accou the scope of the Income and op y costs which may be used in project investment 3.4.3 appraisal are no bject of these rules.
- 4.1 Project A coherent item or planned and defined work undertaken over a limited period of time using specified resources to achieve agreed objectives and business benefits. A project will have its own budget which is not part of the normal operational revenue budget of a school or department and may be capital or revenue in nature or a mixture of both.
- 4.2 Project budget A sum of money approved under the financial regulations to meet the costs of a project.
- 4.3 Budget Holder The person in whom a Committee of Council, Project Board or other approving body has delegated authority to spend a project

- 4.6 Incremental cost The additional cost to the University as a whole of a particular action or activity.
- 4.7 Backfill cost The incremental cost arising from the deployment of existing human resource to a project. e.g. The cost of employing someone to cover day to day work of a person who is seconded to a project either wholly or partially.
- 4.8 Cost Apportionment A calculated proportion of fixed costs e.g. the estimated payroll cost of a department manager who is working 1 day per week on a project to create a new overseas office for student recruitment.
- 5.1 Project proposals must be made under approved process using guidance and practice standards set out in the Project Services Web Pages under the Director of Planning Governance and Compliance.
- 5.2 Project proposals must include a funding solution and this must be agreed by the Finance Director prior to its proposal to the Council or the Vice-Chancellor / Chief Operating Officer under delegation from Council.

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management and maintenance, telephone and mobile phone charges, recruitment, advertising and marketing costs.

- 6.2.4 Insurance
- 6.2.5 Expenses incurred while working away from base such as travel and subsistence and allowable hospitality expenditure under the purchasing policy
- 6.2.6 Statutory fees and charges for permissions, planning and other regulatory and statutory matters including Community Infrastructure Levy.
- 6.2.7 Temporary/Agency staff engaged under a service contract.
- 6.2.8 Metered fuel and power charges.
- 6.2.9 The cost of arranging project specific finance
- 6.3 Pay expenditure should be taken to mean any item of expenditure processed through
 - 6.3.1 Gross salaries and remuneration of permanent and fixed term staff..
 - 6.3.2 Fees and remuneration paid to casual staff.
 - 6.3.3 Allowances, bonuses and other remuneration.
 - 6.3.4 Employers NIC, pension contributions and any other on costs.

Bigible pay expenditure is the incremental cost of employing someone to work on a project or the incremental backfill cost associated with seconding someone into a project. It is not the cost of the seconded staff member although the incremental cost of an uplifted salary awarded to a person seconded to a project is eligible.

6.4 Project Management costs are eligible expenditure and it is IMPORTANT to ensure that the cost of project management is

- 7.2 The following costs ARE NOT eligible to be included in a project budget other than by agreement of the Chief Financial Officer:
 - 7.2.1 Depreciation.
 - 7.2.2 Loan interest charges.
 - 7.2.3 Unmetered fuel and power charges.
 - 7.2.4 Resource allocation charges.
 - 7.2.5 Residual VAT recovery with the exception of a significant capital project that

Special Method (PESM). See para 3.4

- 7.2.6 Apportionment of any cost which is not an incremental cost arising as a result of the project.
- 8.1 Project costings must reflect a high level of cost certainty before approval for a project budget is proposed. Project boards should be cautious in their approach to costing with the aim of ensuring that the budget requested is sufficient for its intended purpose.
- 8.2 Inflation Project costs should be based on clear assumptions that recognise and mitigate the likelihood of price increases. In the absence of specific price indices the bank of England forecast consumer prices index (CPI) should be used to quantify the likely effect of increasing prices on project costs. The period during which prices may increase begins at the point current costs are established and ends at the point an invoice for goods and/or services is received or contract agreed.

There are more relevant indicators of price inflation for specific costs and these should be used when they are available. They include but are not limited to:

- 8.2.1 For building and construction services the RICS tender price indices available for national and regional contracts.
- 8.2.2 Employment wage increase forecasts for payroll costs forecast assumption should be used
- 8.3 Currency exposure May lead to specific price pressures for imported goods and services such as IT computing equipment for example. This may not always be obvious when goods are priced in GBP so it is important to know the source of the supply and the base currency on which pricing is dependent.

Project costs should be reviewed and any exposure evaluated to ensure that costs included adequately cover the likelihood of adverse currency movements leading to price pressure.

8.4 Contingency is a budgetary amount created to cover the assessed risk of unforeseen cost escalation resulting from price inflation, delay and the margin of error in estimating techniques used to calculate input costs required to deliver work. It also protects against omission of costs and scope.

Contingency must always be included in a project budget in accordance with the rules on the Management and Use of Contingency which prescribes a risk based methodology for the quantification of contingency.

8.5 Optimism bias Is a value added to the estimate of project cost in recognition of the