

### Capital Expenditure Plans

A Paper by the Deputy President (Finance & Services)

This is a brief explanation of the confusing subject of Capital Expenditure Plans ("CEPs"). It will also seek to evaluate the changes that were made last year and the associated impacts. The intent of this paper is not to criticise the changes made last year, it is to clarify the positions of claims affected by those changes.

#### Capital Expenditure Plans

A significant part of the Clubs and Societies budget each year is the CEPs fund at around £21,000. The Capital Expenditure Plan is a five year plan for clubs and societies, which enables the Union to budget for large items of expenditure which occur infrequently. Examples of valid claims that are part of the Capital Expenditure Plan are the three gliders of RCC Gliding purchased for around £18,000 every 15 years, and very expensive maintenance (£5,000 to £10,000) of equipment (Icy Diver outboard engine, Icy Diver hull replacement, gas compressor).

#### Changes Last Year

Last year it was identified that the CEPs scheme was being abused by some clubs to purchase large items either on a regular basis and hence were not budget distorting or purchasing smaller items with items which were not budgeting distorting if funded over two years. A paper was proposed at the May 8<sup>th</sup> 2007 meeting of CSB by the DPFS and DPFS-elect. This paper highlighted the abuse of the system, suggested changes and impacts, as well as potential downfalls.

The decisions made at that meeting were:

1. To limit all clubs and societies access to CEPs funding such that they can draw on CEPs at most once every three years.
2. To cancel all current CEPs for individual clubs maturing on a less than three year cycle.
3. To ring-fence the funding for the next-two years CEPs (2007-2008 and 2008-2009) for those clubs that have been removed from the scheme.
4. To permit all funds in the Equipment Purchase budget category to be rolled over for a maximum of one year with the principle that the current year's allocation is spent first. This would have an immediate effect.

#### Current Position

The paper was correct however in blocking abuse of the process. However, the actions made by the last paper were unfortunately based on incorrect data. As such, it is necessary to re-evaluate the situation on a case-by-case basis. The numbering system has been redone as I could not correlate the previous numbering system to the actual claims scenario. All the figures given in this paper are the total costs of the items to be purchased. Under the current budgetary scenario, the club contributes 20% of the total cost from their SGI the remaining 80% is taken from the CEP fund.

Once the changes made last year are adopted shows, the CEPs scenario stands as:

ID	Club	Item	07-08	08-09	09-10	10-11	11-12
1	ACC Boat	Janousek 4+	£11,000.00				
2	ACC Boat	Janousek 8+		£18,000.00			
3	ACC Boat	2 2-/2x			£11,500.00		
4	ACC Boat	Empacher 4				£10,000.00	
5	ACC Boat	Empacher 8					£24,000.00
6	ICSMSU Boat	4	£7,802.00				
7	ICSMSU Boat	8					£11,200.00
8	RCC Underwater	RIB Engine			£10,000.00		
9	RCC Underwater	Compressor				£12,000.00	
10	RCC Gliding	Discus B Re-Gel (Stage 1)	£4,500.00				
11	RCC Gliding	ASW 24 Replacement			£18,000.00		
12	C&G Motor	4 stroke engine		£2,350.00			

Note: Red/Dark = Cancelled.

#### Current Claims

Outlined below is the current situation for each claim below with some background and recommended actions based on my own judgement by looking at various factors. Some of these do contradict the mandates of the previous papers, and an overall picture of the CEPs scenario based upon these recommendations is made further down.

<p><b>CEP ID 2 (2008-09)</b> <b>ACC Boat</b> £18,000 <i>Janousek coxed Eight</i></p> <p><b>Previous Paper:</b> Cancel and ring-fence <b>Recommendation:</b> Redistribute</p>	<p><b>Outline:</b> It was decided last year to cancel this CEP and reallocate CSB funds and ring-fence the funds required. This has not been done properly. It would be possible to redistribute the CEP fund to the clubs and societies budget without adversely affecting the balance of the CEP fund. If the decision to redistribute is made, it is recommend to only allocate 80% of the £18,000 as would have been the case if this CEP had been funded.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim in line with last years paper and reallocate funding from CSB to the ACC and Boat Club. 2. To fund the CEP claim.</p>
<p><b>CEP ID 3 (2009-10)</b> <b>ACC Boat</b> £11,500 <i>Coxed Pair and coxless Pair</i></p> <p><b>Previous Paper:</b> Cancel <b>Recommendation:</b> Cancel</p>	<p><b>Outline:</b> It was decided to cancel this paper as it is would not be a budget distorting amount if CEP funds were redistributed to the clubs and societies bid and budgeting correctly.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim. 2. To fund the claim.</p>
<p><b>CEP ID 4 (2010-11)</b> <b>ACC Boat</b> £11,500 <i>Empacher Four</i></p> <p><b>Previous Paper:</b> Keep <b>Recommendation:</b> Cancel</p>	<p><b>Outline:</b> This would fall inside the three year CEP cycle so it would be possible to have funding from the CEPs scheme. However, it is not a budget distorting amount compared to previous yearly expenditure, in fact it is much lower.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim. 2. To fund the claim.</p>
<p><b>CEP ID 5 (2011-12)</b> <b>ACC Boat</b> £24,000 <i>Empacher Eight</i></p> <p><b>Previous Paper:</b> Cancel <b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> As this falls outside the three year cycle it would be cancelled. Additionally, due to the large cost, this amount is budgeting distorting as such is a valid claim. It should be noted that for the 2010-11 budgeting round that Boat should not require as much grant for equipment purchase if CEP is awarded.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim. 2. To fund the claim.</p>
<p><b>CEP ID 7 (2011-12)</b> <b>ICSMSU Boat</b> £11,200 <i>Eight</i></p> <p><b>Previous Paper:</b> Fund <b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> As this is part of the three year cycle it was kept after the last paper. Again, a budget distorting amount.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim. 2. To fund the claim.</p>

<p><b>CEP ID 8 (2009-10)</b> RCC Underwater £10,000 <i>RIB Engine</i></p> <p><b>Previous Paper:</b> Fund</p> <p><b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> This was kept by the last paper as it falls outside of the 3 year cycle. No real reasons to cancel this claim.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim. 2. To fund the claim.</p>
<p><b>CEP ID 9 (2010-11)</b> RCC Underwater £12,000 <i>Compressor</i></p> <p><b>Previous Paper:</b> Cancel</p> <p><b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> This would occur the year after compressor replacement so would be canceled. No real reasons to cancel this claim and it has been pushed back a number of times. It may in-fact be necessary to accelerate this claim for when the compressor goes bang.</p> <p><b>Decision required:</b> There are two options: 1. To cancel the claim. 2. To fund the claim.</p>
<p><b>CEP ID 10 (2008-09)</b> RCC Gliding £4,500 <i>Discus B Re-gel (Stage 1)</i></p> <p><b>Previous Paper:</b> Fund</p> <p><b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> As this is part of the three year cycle it was kept after the last paper. Again, a budget distorting amount.</p> <p><b>Decision required:</b> There are three options: 1. To cancel the claim. 2. To fund the claim.</p>
<p><b>CEP ID 11 (2008-09)</b> RCC Gliding £10,000 <i>ASW 24 replacement</i></p> <p><b>Previous Paper:</b> Cancel</p> <p><b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> The previous paper has cancelled this CEP as the gliding club had a claim in 2008-09 (ID 10 – Discus Re-gel). However this means that the gliding club activity would be seriously compromised as they would be using a 15 year old glider that was ear-marked for replacement a number of years ago.</p> <p><b>Decision required:</b> There are three options: 1. To cancel the claim in line with last year’s CEP paper. 2. To fund the claim.</p>
<p><b>CEP ID 12 (2008-09)</b> CGCU Motor £10,000 <i>4 stroke engine</i></p> <p><b>Previous Paper:</b> Cancel</p> <p><b>Recommendation:</b> Fund</p>	<p><b>Outline:</b> Originally the proposal was that such expenditure is not overly budget distorting due to its low value. It was proposed that in 2007-08 and 2008-09, the equipment purchase roll-over could be budgeting for and it would be possible to cover the cost of the engine.</p> <p>Due to a lack of notification, CGCU Motor does not have the funds required in their equipment purchase budget this year, nor did they budget for next year, the £2,350.00.</p> <p><b>Decision required:</b> There are three options: 1. To cancel the claim regardless. Inadvisable due to implications on club activity. 2. To redistribute the CSB and CGCU Exec funding accordingly and delay the CGCU Motor claim by one year to allow for an equipment rollover. 3. To fund the claim regardless.</p>

Recommended position:

ID	Club	Item	07-08	08-09	09-10	10-11	11-12
1	ACC Boat	Janousek 4+	£11,000.00				
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4	ACC Boat	Empacher 4				£10,000.00	
5	ACC Boat	Empacher 8					£24,000.00
6	ICSMSU Boat	4	£7,802.00				
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9	RCC Underwater	Compressor				£12,000.00	
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### The Future

CEPs are a particularly poorly understood budgeting procedure, on all levels, and as such it is recommended that a standard CEP application is produced along with some guidelines for clubs, any future DPFS and the CSB. The standard application could be pre-completed for current claims and these could be revised each year to reflect changes in claim requirements. Additionally, the procedure for releasing matured claims has not been documented, and currently clubs use a format adopted by historical precedence. It needs to be evaluated whether this is the best method,

To evaluate the current position of CEPs we need to establish how much is needed for the next 5 years and beyond, it is necessary to invite for revisions of current CEPs and applications for new CEPs. Typically CEP requirements change due to shifts in activity focus (for example, ACC Boat putting out more eight crews than predicted). It is recommended that once a standard application form has been produced that this is then supplied to clubs to enable a full evaluation of the state of affairs to be made.

In 2005-06 it was decided to increase the club contribution rate by 2% each year. However this was not reported to the Finance department and so this has not been presented in the annual budgeting scenario for the last two years. It is proposed that we raised the club contribution rate from 20% to 30% over the next 5 years. This means clubs are responsible for increasing the level of funding they require and it reduces the burden on stretched CSB finances, without being prohibitive and unattainable to clubs.

### Decisions Required

- 1) To mandate the Deputy President (Finance & Services) to:
  - a. Produce a standard CEP template for clubs by next week and make available to clubs.
  - b. To report to the affected clubs and inform them that their have been claims cancelled.
  - c. To recalculate the CEP requirements for the next 5 years and report to CSB.
  - d. Investigate possible budget scenarios associated with accelerating Underwater compressor CEP.
- 2) To cancel/reinstate the claims as decided on by this meeting of the CSB.
- 3) To mandate all CSC/FU chairs or representatives to highlight to their clubs that applications for the Capital Expenditure Plan will be open in the near future.