Capital Expenditure Request

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| Doc Ref. |  | Issue |  |
| Date |  | Compiled by |  |
| Site |  | Project type |  |

*Project description*

**Project Types:**

A = New Business, B = Efficiency, C = Replacement, D = Legislative

* Text in *italics* should be replaced with content in calibri.

1. **Objectives**

* *There should be a clear and concise statement of what is being proposed*
* *The need / purpose / intention for the investment should be clearly articulated in terms of objectives*
* *The objectives should, wherever possible, have a stakeholder rather than internal focus*
* *The objectives should have a clear ‘line of sight’ to strategic themes*
* *The objectives should be, wherever possible, SMART. As a minimum, progress towards achieving them and should be capable of being measured via identified key performance indicators*

1. **Rationale for project**

* *A summary of the current position should be presented from a general business and* finance *perspective*
* *The summary should have an appropriate balance of external (Markets, competition, growth, environmental) and internal (resources, personnel, legal) themes*

1. **Proposal**

* *The proposal should briefly be restated, in the context of filling the gap between ‘where we are now’ (current position) and ‘where we want to be’ (desired state)*
* *A justification for the proposal should be presented. ‘Make the argument’ rather than ‘stating the case’*
* *The effect of not addressing the need should be summarised*
* *A summary of the scope of the project should be presented, including in particular resources required and time involved*

1. **Key Commercial Assumptions**

* *The key assumptions should be listed out. They are expected to include, but not limited to:* 
  + *Timing and cost of investment,*
  + *Assumed market projections and current demand levels*
  + *Sales growth rate*
  + *Cost margins*
  + *Cost of capital*
  + *Inflationary assumptions*
  + *Impact on materials and labour (costs / heads / shifts etc.)*
* *Thought should be given to the linkage between internal / external assumptions as to their consistency (e.g. – market demand consistent with sales growth rates? Sales growth rates consistent with extra capacity generated?)*
* *The source of key assumptions (especially those relating to external market and competition) should be referenced*
* *Key assumptions should be consistent with the issues laid out in the Risk and Sensitivity section*
* *Where relevant, assumptions should be referenced to and from the cash flow analysis*

1. **Investment**

* *Costs should include both fixed capital and working capital, together with any one-off costs and commissioning costs*
* *All major fixed asset costs should be supported by a fixed price quote*
* *The major breakdown and totals of costs should be checked so as they are consistent with those presented in the cash flow analysis*
* *Any residual value estimates should be explained and justified*
* *Reference should be made to whether the project is within the annual capital expenditure budget / forecast*

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| **Description** | **Cost** |
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| Total |  |

1. **Financial returns**

* *The returns from the project should be presented (NPV, IRR, Payback, RoNA, NPV/£ invested) and compared to targets*
* *The decisions to invest should be justified by reference to these returns*
* *The returns should be checked that they are consistent with the results from the cash flow analysis*

1. **Risks and Sensitivities**

* *Sensitivity analysis should be carried out on the key variables highlighted in the ‘Assumptions’ section. What percentage change is required to reduce the NPV = 0?*
* *All major risks should be identified and described*
* *The impact of the major risks on the proposal should be evaluated by linking them, wherever possible, to the sensitivity analysis*
* *Risks should be gauged against the twin criteria of likelihood and impact*
* *Methods for mitigating the risks should be presented. How each action will mitigate risk should be clearly explained*

1. **Alternatives Considered**

* *Alternative propositions should be presented, including the base level proposition of ‘doing nothing’*
* *Advantages and disadvantages of each option should be laid out*
* *Enough information should be given about alternatives to ensure that the reader can judge whether they are viable or non-viable*
* *For viable other alternatives, arguments (including financial) should be prepared as to why they have been rejected*
* *In particular, alternative options should be gauged against the objectives of the proposition*

1. **Key personnel and Stakeholders**

**Project Sponsor:**

**Project Manager:**

1. **Timing & Project Management**

* *An implementation should be presented, highlighting key milestone dates (in particular surrounding installation and commissioning)*
* *Immovable and flexible deadlines should be identified separately*
* *The project manager responsible for implementation should be identified*
* *Any key procurement issues should be identified up front*
* *Any key dependencies / deal-breakers should be highlighted*
* *The impact on direct and indirect labour should be presented, including manning levels and working practises*
* *The impact on current facilities and production should be presented, together with an explanation of how any disruption will be resolved*

1. **Summary of Total Benefits**

* *A summary of all expected benefits should be presented, financial and non-financial*
* *Identified financial benefits (such as revenue streams, costs savings and time savings should be quantified and included within the NPV analysis)*
* *The non-financial benefits suggested should have a clear linkage to the objectives of the project (and therefore to the key strategic themes)*
* *This section should be used as a final justification for the proposal*

1. **Amendments**

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| **Rev** | **Description** | **Amended by** | **Date** |
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1. **Approval**

Reviewer's Signature:

Your signature indicates that, you have reviewed this document and that you authorize the project to proceed.

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| **Authorisation:** | | | | | |
| **Site Senior Management: (< 250k GBP)** | | | | **AJP Board: (>250k GBP)** | |
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| Managing Director |  | Date | | Executive Director & CFO | Date |
|  | | | |  | |
| Financial Director | | | Date |  |  |
|  | |  | |  | |
| Manufacturing & Engineering Director  Quality, Health, Safety & Environmental Manager | | Date  Date | |  |  |
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