foodclean BY QJS

SUSTAINABLE FOOD HYGIENE

HELP WITH CAPEX APPROVAL FOR YOUR CLEANING SYSTEM

One big challenge for factory managers is the submission of CAPEX applications. Whilst these applications may seem onerous and sometimes over the top, they are in fact more important than ever as they help to steer the business to make the absolute best use of expenditure in order to remain competitive in an increasingly competitive world.

The main focus of a CAPEX application is on ROI, or return on investment, which measures gain or loss of the investment relative to it's cost.

With this in mind we have worked through a typical CAPEX application for a cleaning system, with a view to assisting you through the process, as follows:

EXECUTIVE SUMMARY

This should be a short statement which in effect summarises the application so that a reader can rapidly become acquainted with what the application is about.

Our example of this is:

This application is for the complete removal of the existing high pressure washing units and the installation of a fully centralised cleaning and hygiene system throughout high and low care.

PROJECT CONTEXT

This provides the reader with a more in depth explanation of the circumstances surrounding why the application is being made, for example:

Over the last five years the business has grown considerably whilst at the same time becoming more specialised in high end, private label products. This has put considerable pressure on the hygiene team with an increased expectation in terms of hygiene standards, whilst at the same time using a cleaning system that is no longer fit for purpose, and an urgent requirement to clean in a shorter time frame with a view to increased production capacity.

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PROJECT OUTLINE

Here you will describe what the project looks like in literal terms, for example:

Two new bunded chemical tanks will be placed in the services room adjacent to the main factory plant room. Beside these will be a chemical distribution unit and a medium pressure pump system. The chemicals and boosted water will be distributed via pipework systems to satellite cleaning points strategically positioned throughout the high and low care production areas. Once the installation is complete, the existing high pressure system and pipework will be removed, creating more space in the plant room.

PROJECT JUSTIFICATION AND BENEFITS

It is very important that this section is given serious focus as it is really your opportunity to drive home the key challenges that you currently have, and the benefits that making the change will bring. Remember the financial benefits are under a separate heading:

The current system is very inefficient as the foaming and disinfecting chemicals have to be applied using separate, stand alone equipment which is very time consuming and is also open to operator error. The new cleaning system will allow the rinse, foam and disinfect functions to be performed through a single hose at set dosages and with no set up and set down time.

With the current system, chemicals are purchased in 20kg drums which are costly to purchase and have to be rinsed out before being recycled. The new system will eliminate the use of approx 1200 drums each year which will be a big contributor to our environmental and sustainability targets.

Currently, concentrated cleaning chemicals are being carried throughout the factory in drums. This is not only a health and safety hazard and a waste of operator time, it is also a food safety hazard and a potential non conformance with supermarket auditors.

Water ingress issues have increased due to the high pressure water being used on the new lines which are more intricate and not supposed to be sprayed with high pressure. This is costly damage and is also causing unplanned down time.

The new medium pressure rinse system will be within limits to comply with supermarket codes of practise. The recommended pressure has also been proved to clean in a way that causes less aerosol effect which is the spreading of airborne particles caused by high pressure sprays. A further benefit of the proposed rinse system is that it will use 90% less electrical energy than the motors used on the current system.

The existing system is proving to be increasingly expensive to maintain whilst at the same time causing production delays due to increased cleaning windows caused by system breakdowns.

A time and motion study has been carried out and it has been calculated that cleaning will be able to take place effectively in a 7.5 hour window, creating an increased production capacity of 30 minutes per day.

FINANCIAL BENEFIT

This section is obviously the place where the people with the purse strings will put their focus. Obviously some cost benefits cannot be quantified but should still be mentioned here. Others that can be quantified should be stated but ensure that the calculations are robust and can stand up to scrutiny. It is best to put some annotation around the calculations.

TIME SAVING.

The installation of this system will mean that cleaning can be done without increasing staff, but in less time, meaning that the factory can produce for 30 minutes longer each day, or 182 hours per year. According to Mr XYZ from the accounts department, this would result in a bottom line increase of approx **£45,000**

CHEMICAL SAVING.

Due to the chemicals being able to be purchased in bulk, and the fact that chemicals will never be wasted, it has been calculated that the chemical savings will be approx **£5,000**

ENERGY SAVINGS.

The current system is costing **£4,500** in electrical power currently. It is estimated that this will be reduced to **£450**, a saving of **£4,050**

WATER INGRESS SAVINGS.

Throughout 2020, on average an electrical component was damaged by high pressure water ever month, and the average cost of replacement was £1,000 including engineers time. However there were three instances where the damage caused unplanned production downtime of two hours, costing the business approx **£1,400** in lost Operating Profit.

Based on the above savings, **payback** for the project would be **16 months**, based on the expected system cost of **£75,000**

RISKS

No risks have been identified within this project apart from the standard risks associated with installations which will be addressed through the standard site risk assessment process.

SUMMARY OF CAPITAL COSTS

It is good practise to provide all key information that may be required by the finance department for their ordering process and cost allocation purposes.

The table below may assist you with this.

DESCRIPTION	SUGGESTED SUPPLIER	QUOTE REF	PRICE
Pipework installation	ABC Pipework co	1198	£18,890
Chemical tanks	XYZ Tanks Ltd	990089	£7,900
Container	System Co Ltd	12169	£8,560
Booster pump set	System Co Ltd	12171	£9,980
Chemical set	System Co Ltd	12171	£16,450
Satellite units	System Co Ltd	12171	£9,750
Accessories	System Co Ltd	12171	£6,360
		TOTAL	**£77,890**

SUPPLIER SELECTION

This is a key section as it gives you the opportunity to demonstrate to the decision makers that you have worked through a rigorous process in selecting the suppliers for the project. If the decision makers are not convinced by what you detail in this section they may decide to engage with other providers which could cause long delays and achieve the wrong outcome for you. The below is the wording for a typical supplier selection outline:

The key criteria that we set out for supplier selection was as follows:

- Durability and longevity of equipment
- Proven suitability to our site specific requirements
- Value for money/good ROI
- 24/7 emergency cover and on site support
- Environmental and sustainability benefits

ABC Pipework co are our incumbent pipework provider having provided the company with excellent service over the past five years. Two other providers were invited to tender for this project, however ABC were the lowest price, having the advantage of site knowledge and already having resources on site which saved on prelims. The engineering manager was involved in this selection and fully endorses the proposal of using ABC.

XYZ Tanks are a new supplier to this site, however they were recommended to us by sister site X having supplied and installed a similar scheme there. This company have also worked closely with System Co Ltd which we felt was a very important factor given the integrated nature of the equipment. A further justification for using XYZ is that their tanks are made of a higher percentage of recycled material than any other tank provider.

System Co Ltd were chosen over against two other providers for the following reasons:

1. System Co Ltd are not a chemical supplier and have been physically able to demonstrate tangible savings on the quantity of chemicals used. The other two vendors were chemical companies and were not able to provide such savings.

2. System Co Ltd demonstrated a much greater interest in proposing a system that was individually tailored to the specific needs of the site, whereas the other two vendors proposals were very much based on a narrow selection of items which we would have had to adapt to try and suit our needs.

3. System Co Ltd carried out extensive trials on site prior to submitting their proposal, going to great lengths to ensure that what they proposed was exactly suited to our needs.

4. System co Ltd will provide a guarantee of 50% contingency of service in the event of a system failure, within 12 hours. They were the only company to be able to provide this guarantee.

5. The price submitted by System co was not the lowest, however because of the back up and the extra ROI they could demonstrate we feel that their proposal was actually the best investment over all.

ATTACHMENTS

In this section ensure that everything you have submitted is fully backed up by reports, proposals, pictures, etc so that any questions raised by the decision makers can be answered, further confirming the due diligence that you have carried out on this project.

Clean Factory Revolution

CLEAN FACTORY REVOLUTION

The core mission of FoodClean is to provide a comprehensive system that covers all of your hygiene requirements. The nature of manufacturing facilities necessitates a foolproof method of delivering ultimate levels of cleanliness at all times, which is why our complete solution provides total peace of mind and an instant return on investment.

www.foodclean.com/clean-factory-revolution/