

# SOUTH GIPPSLAND SHIRE COUNCIL COUNCIL POLICY



## CAPITAL WORKS POLICY

Policy No.	C85
Adoption Date	Proposed June 2021
Revision Date	2020/21
Department	Infrastructure Planning [INF]

### 1. POLICY OBJECTIVE

- 1.1. The purpose of the Capital Works Policy (the Policy) is to:
  - 1.1.1. Provide guidance in the planning and development of the South Gippsland Shire Council's Capital Works Program.
  - 1.1.2. Provide an increased strategic focus and greater transparency in the selection of projects to be included in the South Gippsland Shire Council's Capital Works Program.
  - 1.1.3. Outline the necessary steps to ensure that each proposed capital project is properly considered and prioritised against other proposed projects prior to being included on the approved Capital Works Program.
- 1.2. This Policy has been developed to support the Council to comply with its good governance and conduct obligations in line with various legislation, principally the *Local Government Act 2020*.

### 2. SCOPE

- 2.1. This Policy applies to all requests for capital works approved within the South Gippsland Shire Council's Capital Works Program where capital expenditure is used to renew, upgrade, extend, and attain new assets to enable Council to achieve its strategic objectives and support the delivery of services identified in service and asset plans.
- 2.2. Requests for capital works will be reviewed, and capital works projects evaluated, prioritised, and completed using effective processes and sound financial management practices giving due consideration to the Council's ongoing operational requirements and strategic priorities.
- 2.3. This Policy is supported by a range of organisation strategies, policies, and master plans which guide infrastructure development for service areas, informing where financial investment is required to ensure Council is delivering on the community's priorities.



- 2.4. This Policy applies to all capital projects which constitute expenditure under the categories of capital works (Council owned assets or assets owned by others) and delivered by, or on behalf of, the South Gippsland Shire Council.
- 2.5. The development of strategic documents by, or on behalf of, South Gippsland Shire Council are not considered capital works projects within this Policy. An allocation of funds sufficient for this purpose is to be provided in Council's annual budget.

### 3. POLICY PRINCIPLES

- 3.1. This Policy follows the standards set out in the South Gippsland Shire Council Project Management Framework (PMF) which incorporates processes, procedures, and relevant controls to govern projects through the phases of initiation, planning, design, execution and close out.
- 3.2. This Policy is to follow the key asset management principles of funding Capital Works renewal projects ahead of extension or new projects.
- 3.3. This Policy follows the Community and Economic Infrastructure Blueprint, its six principles, assessment process, assessment matrix, and checklists. The principles are:

1. **Community benefit is maximised**

Maximise community benefit by promoting access, inclusion, economic contribution, and by building social connection.

2. **Alignment with strategic direction**

Undergo strategic community planning to ensure the proposal aligns with Council's service and strategic direction.

3. **Whole of life costs are clear**

Demonstrate whole of life costs and adherence to asset management principles to ensure community facilities are multi-functional (where possible), well maintained, well managed, fit for purpose, and in the best position for the municipality.

4. **Service and use are appropriate**

Ensure the proposal meets the level of service and appropriate use of the facility so that it will meet the community's needs now and into the future, accounting for contemporary regulations and standards.

5. **Risk is managed**

Demonstrate risk mitigation within a proposal to safeguard the future project for all concerned.

6. **Financial commitment is understood**

Justify all financial aspects of a proposal with consideration of Council's whole of life responsibilities by thorough planning and business case/feasibility studies where the need is identified.



#### **4. REQUESTS FOR CAPITAL WORKS**

- 4.1. Projects to be considered in the Capital Works Program may be generated in any of the following ways:
- Community, community groups, and organisations
  - Individual Councillor
  - Asset Management Plans
  - Council Officers
  - From a Council adopted strategy / plan
- 4.2. Requests for projects are to be reviewed through the Social Community and Economic Infrastructure Blueprint (the Blueprint) to establish whether the proposal is consistent with Council's strategic objectives, relevant strategies, service statements, and asset management plans. Projects are evaluated via an evaluation matrix and prioritised (ranked). An annual review of the Priority List and re-ranking of projects will occur via the Community Infrastructure Advisory Committee (CIAC) who are an independent advisory committee appointed by Council to strategically review proposals for funding and Capital Works. The CIAC make recommendations to Council whilst adhering to this Policy. The committee or its members may not be lobbied for any project support.

#### **5. EVALUATION AND PRIORITISATION**

- 5.1. For preparation of the 4-year and 10-Year Capital Works Program through the annual budget process, and for capital project requests received outside this cycle, projects will be evaluated and prioritised against the principles defined under this policy.
- 5.2. Capital project requests are evaluated against the following principles:
- 5.2.1. Capital works for existing and new assets will be evaluated for their whole-of-life costs, that the projects/assets are an effective spend and use of funds for the outcomes being achieved, and on a relative benchmarked basis, i.e. that they are effective value, economically viable, and suitable solutions to meet Council's defined service levels. They must also comply with the principles of the Blueprint.
  - 5.2.2. Council will demonstrate long term financial sustainability by prioritising the above evaluated projects to optimise short and long-term planning needs, service levels and standards, risks and costs, and community expectations.
  - 5.2.3. Capital works programming must be directly linked to Council's strategic objectives, service statements, and asset management plan priorities which consider feedback through community consultation.
  - 5.2.4. Capital works will be prioritised to meet legislative compliance and contractual requirements.



- 5.2.5. The Capital Works Program must be fully funded for renewal, upgrade, extension or new services/works, or the source of funding identified and secured.
- 5.2.6. All endeavors will be made to deliver capital works by the required completion date and within approved budgets.
- 5.2.7. Projects that have previously been submitted and rejected by Council cannot be re-considered within 3 years, unless alternate funding has been secured. Projects that are deemed to be similar to a previously rejected project shall not be considered.

## **6. PROJECT GOVERNANCE**

6.1. Development of this Policy evolved from Council's audit committee to ensure that capital projects are evaluated and funded according to a defined process. South Gippsland Shire Council's PMF provides a clear governance structure, with defined roles and responsibilities throughout the duration of a project. The governance structure is designed to provide appropriate levels of oversight of a project at a senior level to ensure it is based on a minimum set of project management standards:

- Reporting Project Status
- Risk Management
- Issues Management
- Schedule Management
- Stakeholder Management
- Resource Management
- Cost Management

The project governance roles and responsibilities are described in the PMF Terms of Reference.

6.2. The role of Council is to adhere to, approve, review, and ensure compliance with the Blueprint and this Policy.

## **7. CAPITAL EXPENDITURE AND VARIATION APPROVAL**

- 7.1. Expenditure on proposed projects is to be authorised by the Executive Leadership Team and Council prior to the commitment of that expenditure. Once approved, the project will be included in Council's budget for the year(s) the project is scheduled for delivery.
- 7.2. Where the duration of an approved project goes over more than one fiscal-year, the total project budget is approved, and funding committed in Council's forward Capital Works Program and subsequent annual budget cycles.
- 7.3. Where expenditure on current projects exceeds the approved project budget allocation, authorisation is required from Council.



- 7.4. Where the potential for over-expenditure is identified, actions should be taken to adjust project spending. Where changes to project scope, timelines, and resources will result in a budget variation, reasons for the variation should be formally defined, evaluated and approved prior to implementation. The process and procedures associated with project variations are found in the PMF.
- 7.5. To ensure it is maximising value through the selection, optimisation, and oversight of programming investment, Council may use resources to bring forward other projects that are already on the Forward Capital Works Program. Resources may come from deferring a planned project that cannot be delivered within approved resources and/or specified time, leveraging other funds or program savings.

## **8. PROJECT AND PROGRAM FUNDING**

- 8.1. Funding can be from internal or external sources or a combination of both to undertake capital projects and programs.

### 8.1.1. Internal Funding

Internal funding comes from Council cash reserves allocated to capital. Internal funds are limited so prioritisation is applied when funds are distributed across different projects and programs through Council's annual corporate planning cycle.

### 8.1.2. External Funding

External funding of projects and programs takes many forms. This includes grants and contributions from State and Federal Government and developers. Council should show due consideration and evaluate adhoc / unsolicited funding or asset handover projects from tiers of government and other sources.

- 8.2. Council should:

- 8.2.1. Undertake an assessment of the impact on the future financial state of Council and consideration of whole of life costs and their effect on the asset portfolio which must occur before accepting funding or entering into agreements to accept assets.
- 8.2.2. Develop a suite of projects to be ready for funding opportunities. Planning monies for these projects should be allocated by Council. Emphasis should be given to projects that renew or retire existing assets and less to those that upgrade, extend or provide a new service.
- 8.2.3. Undertake realistic assessments on the potential of external funding solutions for projects, and/or consideration of alternate positioning and scope of proposed projects to assist optimisation of external funding. This should occur at an early stage to avoid Council potentially incurring unnecessary costs. Such assessments should occur for significant, complex, and new types of projects. The likelihood of external funding should be reviewed periodically throughout the project management phase to ensure funds that are not forthcoming are not relied upon.
- 8.2.4. A Memorandum of Understanding must be developed for projects delivered through collaborative partnerships between Council and other



agencies or community groups to ensure the partnership has defined clear roles and responsibilities and service outcomes.

### 8.3. Funding by service levels

- 8.3.1. Priority will be given to maintaining renewal and capital expenditure profiles that have been determined for adopted levels of service through service and/or asset management plans.

### 8.4. Non-Council owned assets

- 8.4.1. Throughout the South Gippsland Shire, there are various non-Council owned community assets that are managed by Council or a third party/organisation, including community facilities, recreation reserves, and indoor stadiums.
- 8.4.2. Council may fund and undertake works or make a contribution to a third party/organisation for capital projects on non-Council owned assets or land where those projects provide benefits to the community that would otherwise be provided directly by Council on Council owned land. The Blueprint principles and assessment tools are to be used in the assessment of these projects and the likely impact of diversion of funds considered.
- 8.4.3. Before the level of Council contribution is determined, an assessment should be made regarding the potential for other external funding support.
- 8.4.4. Council provides the opportunity for assistance to community groups, organisations and individuals to improve or repair a community facility or recreation reserve via the community grants program, details can be viewed on Council's website.

## 9. RISK ASSESSMENT

In order to comply with its obligations under the *Local Government Act 2020* and maintain the trust and confidence of the community, it is critical that Council and Councillors maintain the highest possible standards of good governance, integrity, ethical behaviour, and conduct. This Policy and the associated procedures mitigate Council's risks as described below.

- 9.1. The PMF outlines the risk assessment process for individual Capital Works projects.

## 10. IMPLEMENTATION STATEMENT

### 10.1. Human Rights Charter

This Policy is a key mechanism for providing assurance to the Council meets its obligations as required by the *Local Government Act 2020* (or other relevant Act that is applicable) and the *Charter of Human Rights and Responsibilities Act 2006* and associated obligations.

### 10.2. Publication of Policy

- 10.2.1. This policy will be published on Council's website.



**10.3. Roles and Responsibilities**

10.3.1. The PMF outlines the roles and responsibilities of all external and internal stakeholders throughout the duration of a Capital Works project.

**11. MONITORING, EVALUATION AND REVIEW**

11.1. The responsibility and implementation of the policy rests with the Infrastructure Planning department, of the Sustainable Infrastructure Directorate.



## 12. REFERENCE DOCUMENTS

Legislative Provisions	Local Government Act 1989 Local Government Act 2020 Freedom of Information Act 1982
Council Supporting Documents	10 Year Capital Works Program Capital Works Program Manual Community Infrastructure Project Management Policy (C09) Project Management Framework Community and Economic Infrastructure Blueprint Terms of Reference Community Infrastructure Advisory Committee (CIAC)
Good Governance Framework	Direction and Leadership
Council Supporting Documents	Asset Management Plans (Roads & Infrastructure, Parks Gardens and Reserves, Stormwater and Drainage, and Buildings) Project Scopes (Year 1) Service Level Statements

## 13. DEFINITIONS AND ACRONYMS

10 Year Capital Works Program	the forecast capital investment over the next 10 years.
Annual Capital Works Program	the annual adopted Capital Works Program.
Asset Management Plans	a tactical plan for managing infrastructure and other assets to deliver an agreed standard of service.
Capital Works (Council Owned assets)	the acquisition or construction of new assets, renewal of existing assets which increases the service potential or extends the life of an asset, or upgrade or expansion which extends the standard of an existing asset to provide a higher level of service.
CIAC	Community Infrastructure Advisory Committee
Council	South Gippsland Shire Council, being a body corporate constituted as a municipal Council under the Local Government Act 1989.
Council Officer	the Chief Executive Officer and staff of Council appointed by the Chief Executive Officer.
Councillors	the individuals holding the office of a member of South Gippsland Shire Council.
Major Works (assets owned by others)	contributions to other bodies, public, or private, towards their capital projects where those projects provide benefits to the community that would otherwise be provided directly by Council.
Project Management Framework (PMF)	the organisational approach, supporting guidelines, other documents and system tools to support best practice management of projects.





<b>Project Budget</b>	the total amount of budget resources that are allocated to deliver a project according to the developed scope and / or awarded contract specifications.
<b>Service Statement</b>	a strategic high-level plan which allows Council to review and set the direction for infrastructure services across the municipality.
<b>Whole of Life Costs</b>	is the total cost of ownership over the life of an asset including planning, design, construction and acquisition, operations, maintenance, renewal and rehabilitation, depreciation and cost of finance and replacement or disposal.

#### 14. REVISION HISTORY

Version	Approved By	Approval Date	Summary	CM9 ref
1.0	Pending	March 2021	New Policy	D8600720
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3.0	Pending	June 2021	Policy template revised	D8600720