



## Council Policy

### 16.11 CAPITAL FUNDS ALLOCATION POLICY

#### PURPOSE

The purpose of this policy is to ensure that Council's limited funds available for capital expenditure are utilised as effectively as possible and are allocated in accordance with the principles of best practice asset management.

#### SCOPE

This policy applies to all Capital Works undertaken to deliver Renewal, Upgrade, New or Expansion of Council assets. This includes projects approved within Colac Otway's Year 1 CWP and 10 Year indicative CWP. The Policy does not apply to maintenance works.

#### DEFINITIONS

Capital Works – physical works to Council owned assets and property delivered by or on behalf of the Colac Otway Shire Council.

CWP - Capital Works Program is a proposed program of capital projects to be constructed in a given year

1 Year CWP – Capital Works Program developed annually as part of budget process

10 Year Indicative CWP –forecast capital investment over the next 10 years

Asset Renewal – Expenditure on an existing asset or on replacing an existing asset that returns the service potential and extends the life of the asset beyond that which it had originally.

Asset Upgrade – Expenditure which enhances an existing asset to provide a higher level of service.

Asset New - Expenditure which creates a new asset that does not currently exist to meet additional service levels.

Asset Expansion – Expenditure that extends the capacity of an existing asset at the same service level.

EMT – Council's Executive Management Team

Project – A project involving the renewal, improvement, upgrade or creation of an asset. The scope of a Project for the purposes of this policy includes any preliminary scoping studies and design work associated with Capital Works.

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## REFERENCES

*International Infrastructure Management Manual, 2015 (IPWEA)*  
*Local Government Act 2020*  
*Local Government (Finance and Reporting) Regulations 2004*  
*Risk Management Act 2004*  
*Road Management Act 2004*

## STATEMENT OF POLICY

### 1. Overview

This Policy is supported by a range of Council adopted Strategies, Policies and Master Plans, which guide infrastructure development for various service areas.

This Policy reinforces the standards set out in the Colac Otway Shire Project Management Framework (PMF) which incorporates processes, procedures and relevant controls to govern the concept, initiation, planning and design, implementation and close out phases of projects.

The 1 Year CWP and 10 Year indicative Capital Works Plan (CWP) consist of three categories of works, being: asset renewal, asset upgrade and expansion, and new assets.

Council's CWP aims to:

- reduce the backlog of ageing infrastructure;
- provide improved public health and community safety;
- provide for the increased social and recreational needs of the community;
- improve infrastructure networks as a platform for economic development;
- minimise Council's impact on our natural environment; and
- improve the efficiency and sustainability of service delivery.

### 2. Allocation of Capital Funds

Funding priority will continue to be directed towards the "Asset Renewal" component of the CWP in order to achieve a more efficient and/or sustainable asset management position. Annual funding will endeavour to be allocated to the levels recommended in Council's Asset Management Plans.

Accordingly, funds available for New assets and asset Upgrade and Expansion will be limited and subject to a process of nomination and prioritisation outlined below.

### 3. New, Upgrade and Expansion Project Nomination and Prioritisation

New, Upgrade and Expansion projects must successfully pass a preliminary assessment prior to the development of a detailed business case for consideration by Council or external funding submission. The preliminary assessment will be funded through Council's operational budget.

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For projects with an estimated value over \$50,000 and/ or a risk and complexity rating of 'High', the Preliminary Assessment will involve:

1. Completion of a Project Plan outlining project background, objectives, location, scope, exclusions, risk assessment, assumptions, stakeholder assessment, phases and estimated timeframes for delivery, cost estimate and outcomes of preliminary investigations.
2. Preliminary investigations, including the following due diligence as a minimum: determination of planning and building permit requirements, requirements for environmental and cultural heritage investigations or plans, relevant authority or agency approvals, requirements for technical studies or investigations, and a site visit with relevant technical representatives.
3. Preparation of cost estimates or cost plans for whole of project costs, including technical studies, design and construction costs, contingencies, escalation and project management.
4. Completion of a life cycle costing assessment (refer below).

### Life Cycle Costing

Nominating a project for funding consideration under the New Capital Program (Expansion/New Projects) will require the completion of a Life Cycle Costing template. Projects that fall into this category will involve construction or acquisition of new assets or the extension of an existing asset.

This information is required to ensure a comprehensive appraisal can be made of any ongoing costs that will apply to the project in addition to the initial capital cost. Typical ongoing consequential costs may include, operational costs (staff, utilities, cleaning, insurance), maintenance costs (repairs, cyclic maintenance and partial renewal during the life of the asset (roof replacement, road resurfacing) which is accounted for by an asset depreciation allowance.

As these ongoing costs will add to the maintenance/renewal burden of the asset over its lifetime, they must be identified and acknowledged before any decision to allocate capital funding to the project is made.

The recurrent operating budget will then be amended up or down accordingly.

### 4. Approvals

Prior to consideration by Council for funding or application for external funding, projects over \$50,000 in value and/or with a risk and complexity rating of 'high' or 'extreme' require:

- Approval of the Project Plan (for works under \$1 million) by the Project Sponsor, Project Owner and Manager of Assets and Project Delivery.
- Approval of the Project Plan (for works \$1 million and over) by the Project Sponsor, Project Owner and EMT.
- A risk mitigation strategy approved by EMT.

### 5. Prioritisation of Projects

Projects that have undergone the nomination and scoping process will be prioritised in accordance with the criteria in Council's **Capital Project Prioritisation Policy**.

### 6. Multi-year funding allocation

Detailed business cases will identify where project timeframes are anticipated to extend beyond 12 months.

Works requiring technical investigations, external agency approvals, extensive stakeholder engagement, permits and studies and/ or complex design prior to construction will be funded over a minimum of two financial years.

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## 7. Capital Works Sub-Programs

Council's CWP comprises of 14 separate sub-programs which aim to renew, improve and expand Council's physical infrastructure. Projects identified as part of the CWP provide a capital investment mix of renewal of existing assets, improvement of existing assets to meet community expectation of urban renewal and new assets to meet an identified demand.

### 1.1 Community Facilities Program

The Community Facilities Program aims to renew, improve and expand the range and quality of community programs and children's services delivered through Council's array of community facilities. This program also aims to modernise and bring our community facilities in line with modern standards for upgrades and new assets.

To achieve this objective, the program expands the capacity of our community facilities to improve the range of services provided, through upgrades such as increased parking provision, installation of shaded roofing areas and upgrades of play equipment.

### 1.2 Drainage Program

The Drainage Program aims to renew, upgrade and extend the underground drainage systems and implement practical water sensitive solutions by improving the quality, transfer and storage of surface runoff from rainfall events. The objectives aim to address two separate issues in an urbanised context, namely:

- restoring existing stormwater systems
- Extend the underground drainage system
- Minimising the impact and risks resulting from excess run off.

The Drainage Program uses water sensitive urban design principles as part of a more integrated catchment management approach to stormwater run-off. Projects of this nature include upgrades to existing underground drainage pipes as well as the construction of new water sensitive devices which improve the quality of stormwater before it enters our riverine system.

### 1.3 Roads Program

Ensure a safe road network for Colac Otway Shire's social and economic sustainability. The Roads Program aims to renew and upgrade the road network to ensure it can function effectively as a key asset for the community's transport needs.

Projects identified as part of this program are in direct response to needs identified through Council's road asset maintenance and management plans. Sub programs include for example road sealing, unsealed road re-sheeting, crack sealing and road rehabilitation

### 1.4 Bridge Program

The bridge and major culvert program aims to ensure assets are safe and fit for purpose. Renewal and upgrades are undertaken as required to maintain a safe road network and support the economic and social sustainability of the Shire.

### 1.5 Municipal Facilities Program

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The Municipal Facilities Program renews and develops Council facilities that are used primarily for the governance and operations of Council. This program is limited to works in Council office buildings and operations centres across the municipality.

### **1.6 Walking and Cycling Program**

The Walking and Cycling Program aims to support active transport and increase community participation in walking and cycling activities through the renewal, development and improvement of facilities and networks, and through education, promotion and safety enhancements.

To achieve this objective, the Walking and Cycling Program aims to create an integrated network which ensures connectivity of footpaths, on-road and off-road bicycle paths as well as shared trail networks across the Municipality and connecting beyond to surrounding councils.

### **1.7 Playgrounds, Parks and Gardens Program**

The Playground, Parks and Gardens program provides a framework to renew existing assets to ensure assets are in a safe condition, and upgrade old and uninviting reserves to attractive, and inviting spaces that will be celebrated as key features of the community.

The Playground, Parks and Gardens Program aims to provide all Colac Otway residents equitable access to a range of high quality open spaces. These parks will be safe environments that contribute to the health and wellbeing of residents and support healthy, active lifestyles and social cohesion.

### **1.8 Special Charges Program**

The Special Charges Program makes targeted improvements to the level of services provided to residents who receive a special benefit from the works.

Projects identified as part of the Special Charges Program are directly aimed at providing improvements to infrastructure that directly benefits identified residents and businesses.

### **1.9 Sports Facilities Program**

The Sports Facilities Program aims to foster the growth of sports at a grassroots level by promoting community participation in sporting activities regardless of level of experience and skill.

The program provides the community with access to inclusive, well developed sports facilities for continued participation.

### **1.10 Sustainability Program**

The Environmental Sustainability Program aims to improve resource efficiency, providing operational savings for Council's service delivery and improving environmental outcomes for the community.

Resource efficiency outcomes include those initiatives that: reduce Council's carbon emissions and energy use across the scope of its services, reduce community carbon emissions and energy use, and reduce water consumption.

### **1.11 Town Centres and Visitor Amenities Program**

The objective of the Town Centres Program is to improve the economic vibrancy and sense of community and place across all of Council's Townships, renewing and upgrading assets within the public realm.

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This program aims to revitalise the infrastructure supporting retail and commercial vitality to help ensure sustainable employment opportunities. Investing in streetscape renewal and upgrade, public toilets, public lighting, furniture and landscape amenity.

### **1.12 Road Safety Program**

The Road Safety Program aims to improve the safety of road users and pedestrians by reducing the risks associated with traffic speed and transport movement, as well as improved pedestrian crossing points.

Projects identified in the Road Safety Program are aimed at priority locations across the municipality, and incorporate the construction of various traffic management treatments in local areas. Some of these include slowing treatments such as anti-skid treatments, traffic islands, speed humps and kerb modifications. This program includes renewal and upgrade of other road infrastructure that enhances road safety such as road lighting, guard rails, signage and landslip control.

### **1.13 Plant and Equipment Program**

The Plant and Equipment Program aims to maintain Council's fleet of plant and machinery to ensure the business of Council can run efficiently.

The Plant and Equipment Program provides funding for the following range of assets; passenger/light commercial vehicles, plant/machinery, furniture and IT equipment.

### **1.14 Land Acquisition Program**

The Land Acquisition Program aims to expand the provision of Council services by facilitating the purchasing of land where it has been identified as strategically significant for future benefit or recognised present need. The purchasing of land under the Land Acquisition Program may or may not include any Capital Improved Value already existing on the land.

The Land Acquisition Program may be facilitated through a number of mechanisms, including but not limited to, public acquisition, open marketplace or through private treaty. In accordance with the Acquisition and Disposal of Council Property Policy 2021.

#### **RELATED DOCUMENTS**

- Council Plan 2021 – 2025
- Acquisition and Disposal of Council Property Policy 2021
- Asset Accounting Policy
- Asset Management Policy 2018
- Asset Management Strategy
- Road Management Plan 2021
- Roads Asset Management Plan
- Bridges Asset Management Plan
- Footpath Asset Management Plan
- Building Asset Management Plan
- Open Space and Recreation Asset Management Plan
- Colac Otway Shire Risk Register
- Risk Management Policy

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DOCUMENT CONTROL

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