



Capital Works Policy

Version 1.0

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Review Date: July 2027

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1. Background

This Policy is required to support the development of Latrobe City Council's Capital Works Program, where capital expenditure is required to renew, upgrade, extend, and purchase new assets to enable Council to achieve its strategic objectives and support the delivery of services identified in service and asset plans.

2. Objectives

The purpose of the Capital Works Policy (the Policy) is to:

- Provide guidance in the planning and development of Council's Capital Works Program.
- Provide an increased strategic focus and greater transparency in the selection of projects to be included in Council's Capital Works Program.
- 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.
- Support the Council to comply with its good governance and conduct obligations in line with various legislation, principally the Local Government Act 2020, and the Council Plan.

3. Scope

This Policy applies to all capital projects which constitute expenditure under the general categories of capital works (Council owned assets) and capital works (assets owned by others) delivered by, or on behalf of, Latrobe City Council.

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.

The development of strategic documents by, Latrobe City 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.

4. Principles of Management

This Policy follows the standards set out in the 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.

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This policy is also supported by a range of Council adopted and organisation Strategies, Policies and Plans which guide infrastructure development for service areas. This includes the Asset Management Policy, Asset Plan and Asset Strategy in relation to informing where financial investment is made to ensure Council is delivering on the community's priorities. The key asset management principles of funding Capital Works renewal projects ahead of extension or new projects shall also be followed when developing the Capital Works Program.

4.1. Requests for Capital Works

Requests for projects to be considered in capital works programs may be generated in any of the following ways:

- From the community by either a resident or a community group or organisation
- By resolution of Council
- From an individual Councillor
- From a Council officer
- From a Council adopted strategy or plan

Requests for projects to be included in the Capital Works Program are to be reviewed to establish whether the proposal is consistent with Council's strategic objectives and relevant strategies, the Council Plan, asset plans; that they are cost (life cycle) effective and good value for the required funds; and if the project is Council's responsibility. This will be completed on an annual basis through the capital works budget process managed by the City Assets department.

The annual process for placing a request is as follows, and in line with the PMF:

1. Placing project/capital works bids into master register
2. Review and prioritisation of the requests by Divisional Management teams
3. Detailed submission of project details (for those short listed by the Divisional Management teams)
4. Development of program incorporating bids and assessing against evaluation matrix and considering budget constraints
5. Review and endorsement by Executive Team
6. Endorsement by Council as part of the annual budget process

4.1.1 Gender Impact Assessment

Officers preparing a request for capital works must consider gender in the design and delivery of significant projects, programs, and services. To assist this, officers will need to conduct a Gender Impact Assessment as required by the Gender Equality Act 2020.

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4.1.2 Municipal Public Health and Wellbeing Plan

Officers preparing a request should consider the Municipal Health and Wellbeing Plan and how the request may align with the strategic objectives of this plan.

4.2. Evaluation and Prioritisation

For preparation of the Capital Works Program and 10 Year Indicative Capital Works program through the annual budget cycle and capital project requests received outside this cycle, projects are to be prioritised against principles defined under this policy or by Council resolution.

Requests are evaluated against the following principles:

- 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 best value, economically viable and suitable solutions to meet Council's levels of services
- 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, risk, costs, and community expectations
- Capital works programming must be linked to the Council Plan and adopted Asset Management Plan priorities which consider feedback through community consultation.
- Capital works will be prioritised to meet legislative and contractual requirements.
- Priority will be given to projects where:
 - most of the funding comes from sources other than Council (e.g. Developer Contributions and grants)
 - user groups or clubs can provide 10% or more of the funds required.
 - Community Service Clubs are not required to meet this contribution
 - multi use infrastructure is to be delivered for joint use by more than one user group (or clubs)
 - for recreation projects, further priority will be given to:
 - projects that are listed within Council's Recreation Needs Assessment; and
 - projects that provide the necessary female changing facilities as required by peak sporting bodies.
- All endeavours will be made to deliver capital works by the required completion date and within approved budgets.
- The Capital Works Program must be fully funded for renewal and new works or the source of funding identified and secured.

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4.3. Project Governance

Council's PMF provides a clear structure, defined roles and responsibilities, and levels of authority during the life cycle of a project particularly with respect to the achievement of the expected value or benefits from the project and its link to Council's strategic objectives.

4.3.1. Capital Expenditure and Variation Approval

Expenditure on a proposed project is to be authorised by the Executive Team and Council prior to the commitment of that expenditure, this is undertaken as part of the annual budget process, or other budget opportunities that arise throughout the financial year. Once approved, the project will be included in the Council's budget for the year(s) the project is scheduled for delivery.

Where the duration of an approved project goes over more than one financial year, the total project budget is approved, and funding committed in Council's forward capital works program and subsequent annual budgets.

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 Procurement Operational Policy and Procurement Guidelines, and the PMF.

Where expenditure on a project exceeds the approved project budget, the budget category for this project must be value managed by either reducing the scope of remaining approved projects within that budget category, or by removing/deferring a project to a future budget. Authorisation to implement this measure is to be provided by the Chief Executive Officer.

To ensure it is maximising value through the selection, optimisation, and oversight of Capital Works Program investment, Council may use resources to bring forward other projects that are already on the Indicative 10 Year 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.

Projects are to be managed in accordance with contract processes and project supervision processes contained in the Procurement Operational Policy and Procurement Guidelines.

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4.4. Capital Works Funding

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

4.4.1. Internal Funding

Internal funding comes from Council 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.

4.4.2. External Funding

External funding of projects and programs includes but is not limited to grants and contributions from State and Federal Government, community groups, sporting clubs and developers.

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 ongoing service outcomes and expectations.

Realistic assessments on the potential external funding solutions for projects, and/or consideration of alternate positioning and scope of proposed projects to assist optimisation of external funding, should occur at an early stage to avoid Council potentially incurring unnecessary costs. Such assessments should occur for significant, complex and/or 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

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4.4.3. Funding by service levels

Priority will be given to maintaining renewal and capital expenditure profiles that have been determined for adopted levels of service through Asset Management Plans.

4.4.4. Non-Council owned assets

Throughout the municipality 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. Council may fund and undertake works or contribute 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.

Any such works or contribution(s) would only be committed to if it can clearly be justified that it would benefit the wider community and not just a specific group or club.

Before the level of Council contribution is determined, an assessment should be made by relevant Council Officers regarding the potential for other external funding support. A further consideration for non-Council owned assets is the establishment of an agreement regarding ongoing maintenance, renewal and replacement responsibilities and costs. Typically, the preferred arrangement for this scenario is that Council contributes to or funds an asset and agrees to no further cost impacts and essentially hands the asset back to the community group or organisation.

A formalised written agreement will be negotiated on a project-by-project basis, of which the terms and conditions of these contributions will be developed by Council, prior to Council making a financial contribution.

Council has a range of grants and assistance available to community groups, organisations and individuals to improve or repair a community facility or recreation reserve which can be viewed on Council's website.

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4.4.5. Developer Contributions Plans

Infrastructure projects identified in an approved Development Contributions Plan (DCP) are either fully or partly funded through development contributions made by landowners at the time of subdivision and development.

As the developing agency Council is responsible for delivering infrastructure projects identified in the DCP. Infrastructure projects are delivered through the Capital Works Program or Council can, at its discretion, provide agreement for a developer to construct infrastructure projects as 'works in kind' (WIK). Council has developed an Infrastructure Priority List (IPL) for each DCP. The IPL is reviewed annually at the start of the financial year and guides the timing of DCP projects delivered both by Council and as WIK.

Where Council delivers DCP projects through the Capital Works Program and sufficient funds have not yet been collected, Council must forward-fund the project with the funds recouped in the future as the land is progressively developed and contributions are paid. Where a developer provides WIK, the cost of the infrastructure is credited against the developer's required development contributions in lieu of a cash payment. If the cost of WIK exceeds the developer's total required contributions Council must reimburse the over-provision, being the value of the surplus credit, at the end of the development.

4.5 Risk

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.

5. Accountability and Responsibility

Accountability and responsibility for this policy is outlined below.

- Council
 - Responsibility to ensure this Policy is consistent with Latrobe City Council Strategic Direction and other Latrobe City Council Policy
 - Responsibility for the decision to approve this Policy by Council Resolution
- Chief Executive Officer
 - Overall responsibility for compliance with this policy
 - Overall responsibility for enforcing accountability

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- Overall responsibility for providing resources
- Overall responsibility for performance monitoring
- General Manager
 - Responsibility for compliance with this policy
 - Responsibility for enforcing accountability
 - Responsibility for providing resources
 - Responsibility for performance monitoring
- Manager
 - Develop frameworks and procedures in compliance with this policy
 - Enforce responsibilities to achieve compliance with frameworks and procedures
 - Provide appropriate resources for the execution of the frameworks and procedures
- Employees, Contractors and Volunteers
 - Participate where required in the development of frameworks and procedures in compliance with this policy.
 - Comply with frameworks and procedures developed to achieve compliance with this policy.

6. Evaluation and Review

This policy will be reviewed on request of Council, in the event of significant change in the Executive team, significant changes to legislation applicable to the subject matter of the policy or, every four years.

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7. Definitions

Key term	Definition
10 Year Indicative Capital Works Program	the forecast capital investment over the next 10 years
Asset Management Plan	An asset specific plan for managing infrastructure and other assets to deliver an agreed standard of service
Capital Works Program	the annual adopted capital works program
Capital Works (Council owned assets)	the purchase or construction of new assets; or the renewal of existing assets which increases the service potential or extends the life of an asset; or the upgrade or expansion which extends the standard of an existing asset to provide a higher level of service.
Capital 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
Community Service Club	A not-for-profit club or group that performs charitable works either by direct hands-on efforts or by raising money for other organisations
Councillors	the individuals holding the office of a member of Latrobe City Council
Council officer	the Chief Executive Officer and staff of Council appointed by the Chief Executive Officer
Project Budget	the total amount of monetary resources that are allocated for goals and objectives of the project for a specific period of time
Project Management Framework	the organisational approach, supporting guidelines, other documents, and system tools to support best practice management of projects
Service Plans	strategic high-level plans which allow Council to review and set the direction for services across the municipality

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8. Related Documents

- Procurement Policy
- Procurement Operational Policy
- Procurement Guidelines
- Project Governance Policy
- Annual Capital Works Program
- Capital Works Project Management Framework
- Asset Plan
- Asset Strategy
- Asset Management Plans
- Long Term Financial Plan

9. Reference Resources

- Local Government Act 2020
- Freedom of Information Act 1982
- Gender Equality Act 2020

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