



## UNTIED FUNDING ALLOCATION POLICY

<b>Policy Number:</b>	2005/13	<b>Directorate:</b>	Corporate Development/Engineering & Infrastructure
<b>Approval by:</b>	Council	<b>Responsible Officer:</b>	Director, Corporate Development
<b>Approval Date:</b>	Xx/xx/20xx	<b>Version Number:</b>	5
<b>Review Date:</b>	xx/xx/20xx (4 years from approval date)		

### 1. PURPOSE

The purpose of this policy is to outline the approach in allocating untied funding across competing projects and services through the annual budget process. This policy will:

- Support transparency in the prioritisation of untied funding within Council’s Budget.
- Enhance capacity and guidance to ensure Council’s operational and capital expenditure is based on agreed priorities in alignment with the Council Plan
- Maintain sustainable service delivery to the community.
- Provide requisite funding to manage Council’s assets.
- Ensure Council’s operational and capital expenditure is managed on a prioritised basis in line with the Council Plan.
- Provide greater financial certainty on availability of funding for new and upgrade capital projects.
- Support presentation of the Capital Works program across a five year horizon.

This policy aims to enhance Council’s overall financial governance and stewardship to improve the resource allocation process.

### 2. CONTEXT

This policy provides guidance on the allocation of untied funding to ensure alignment with the Council Plan. This policy directs Council to allocate funds towards its public policy objectives as outlined in the Council Plan in a concerted and transparent way. In particular, projects selected for the discretionary New/Upgrade 4-Year Capital Works Program will be determined by targets set in Council’s strategic documents and objective project ranking criteria.

## APPENDIX A

Ongoing economic sustainability requires development of a framework for managing available funds and assigning priority to the allocation of those funds to support both operational and Capital projects. In applying this methodology it is imperative that Council recognises that it has to:

- Manage existing assets across their expected life;
- Respond to service and infrastructure requirements mandated by others;
- Support service delivery needs;
- Align both service and asset provision with community expectations.

### 3. SCOPE

This policy will apply to all Council staff and Councillors involved in the preparation of Council's Annual Plan, Budget, Long Term Financial Forecast and the Capital Works Program.

Specific purpose funding is allocated in accordance with the legal requirements and obligations required to enable Council to fulfill its commitments associated with this funding and is not specifically considered in this policy.

### 4. REFERENCES

#### 4.1 *City Plan*

- Democratic and Engaged Communities

#### 4.2 *Relevant Legislation*

- Local Government Act 1989
- Local Government (Planning and Reporting) Regulations 2014

#### 4.3 *Related Council Policies*

- Service Planning Policy
- Asset Management Policy
- Financial Governance Policy
- Policies requiring Audit Committee endorsement

#### 4.4 *Related Council Procedures*

- External Grant/Contribution Application Procedure

#### 4.5 *Other Related Documents*

- Long Term Financial Forecast
- 4-Year Capital Works Program
- Budget documents
- Annual Council (SPC) Report: Capital Works Program – Project Ranking Criteria
- Strategic Resource Plan

## APPENDIX A

### 5. DEFINITIONS

**Asset New** – Expenditure that creates a new asset that does not currently exist.

**Asset Renewal** – Expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability.

**Asset Upgrade** – Expenditure that: (a) enhances an existing asset to provide a higher level of service; or (b) increases the life of the asset beyond its original life.

**Asset Expansion** – Expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to existing beneficiaries.

**Capital Works Project** – Delivery of physical infrastructure works to meet an identified community need or strategic objective. The Capital Works delivery process comprises three distinct phases for significant projects, which include:

- **Scoping** – this phase articulates the strategic need for the project and identifies key functional requirements, having regard for service plan priorities, integration/alignment opportunities across complementary projects and progresses the conceptual design.
- **Design Development** – this phase progresses the functional design requirements of the project, having regard to permits, planning and functional requirements. This process incorporates progression to detailed design plans, incorporating bill of quantities, cost estimates and specification suitable for incorporation into the contract package.
- **Delivery** – this phase includes implementation of the project in line with aspirations identified in the Design Development phase.

**Contingency Allocation** – Funds set aside to specifically provide emergency or contingency funding.

**Discretionary Untied Funding** – Refers to all general revenues received by Council that are not required to be allocated for a specific purpose. Funding from accumulated surplus for carryover, reserve funding, proceeds from sale of plant and equipment and tied grants are specifically excluded.

**Lifecycle Cost** – Refers to the total cost of owning and managing an asset over its anticipated life. Key lifecycle cost elements may include:

- Acquisition and financing costs;
- Asset operations including externalities;
- Operational saving due to energy and efficiency;
- Asset maintenance;
- Risk exposure costs;
- Rehabilitation costs;
- Replacement costs;
- Asset administration;
- Rate of return requirement on capital use charges;
- Asset depreciation; and
- Asset disposal and site reinstatement costs.

## APPENDIX A

**Major Project** – A capital major project shall be defined as being greater than four times the multiple of one per cent of rates (refer to the Loan Borrowings and Return on Investment Policy). An operational major project shall be deemed to be greater than one per cent of rates.

**New Initiatives/Service Growth** – Refers to an addition/increase in Operational Services or a strategic project, above that currently funded in the Operational Budget.

**Operational Services** – Includes all funds required to provide a range of services by Council to meet the needs and expectations of our community, at levels agreed to by Council.

**Reserve** – An allocation of funding set aside for a defined purpose.

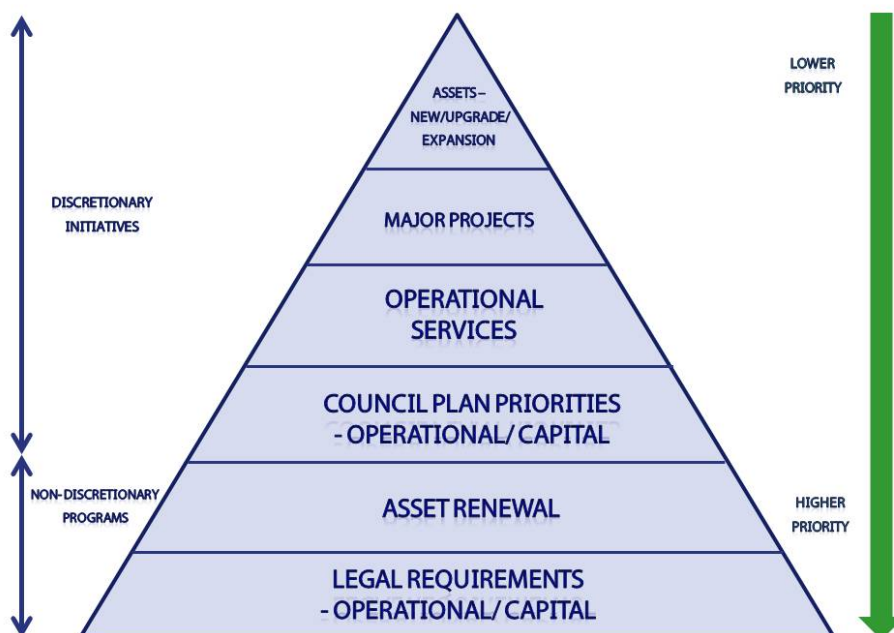
**Service Planning** – Service Planning reviews and articulates short, medium and long term objectives across Council's programs and projects which collectively provide support or guidance to the community in order to achieve the objectives of Knox's Vision and City Plan.

## 6. COUNCIL POLICY

As part of the annual budget process a judgement is required by Council to determine the allocation of untied funding. In making such decisions, Council seeks to deliver the best overall outcome for the community in line with Council's objectives as articulated in the Council Plan and in alignment with key directions established by Council's Service Planning processes.

As part of the budget process, untied funding is allocated between capital and operating expenditure, and between discretionary and non-discretionary funding.

Table 1 below shows Council's framework for prioritising untied funding expenditure across both capital and operational programs.



**Table 1: Funding Allocation Framework**

## APPENDIX A

The methodology outlined below recognises that there is a precedence of funding provision across both operational and capital services. Each allocation category is defined by a funding platform, ranging from 1 to 6, which reflect both non-discretionary and discretionary priorities.

The framework ensures that:

- Non-discretionary programs are funded as a priority over discretionary items.
- Legislative and regulatory requirements for both Council services and assets are prioritised over other programs.
- Service planning informs both operational and capital requirements.
- Existing assets are managed as a priority over new, upgraded or expanded assets.
- Operating funds are provided to maintain any additional asset stock managed by Council.

The framework recognises that while Capital Works projects are presented to Council to provide a five year outlook to the program, the annual budget process is used to identify and articulate both service and asset management requirements and typically reflects a 12 month horizon. Council's Long Term Financial Forecast articulates the budget framework over a 10 year outlook, having regard to both service and asset requirements.

### 6.1 Platform 1: Legal Requirements

Funding Aim: *To make available as a priority any untied funding that is required operationally or in the Capital Works Program to address legislative or regulatory compliance.*

Untied funds shall be prioritised on a non-discretionary basis to accommodate Council's legal or regulatory requirements. This funding may be classified as operational or capital in nature and will be allocated to ensure Council complies with any outstanding legislative or regulatory conditions.

Where the expenditure is a treatment or response to a known corporate risk it is mandatory for this allocation to be recorded in the appropriate risk framework.

### 6.2 Platform 2: Asset Renewal

Funding Aim: *Adequate funding is provided towards ensuring sustainable asset renewal targets in line with existing levels of service. This includes additional renewal modelling requirements to support new, upgraded or contributed assets.*

Knox's Asset Management Policy states that...

*"Upon approving a new or upgrade capital works project, Council shall also commit to provide appropriate lifecycle funding for renewal, maintenance and operation within the capital works and operational budget."*

## APPENDIX A

Council's Long Term Financial Forecast makes provision for renewal expenditure with the aim of funding the renewal program in alignment with Council's asset renewal modelling, which gives regard to the anticipated life of the asset, current condition and expected deterioration rates across asset categories.

When reviewing the required level of funding, consideration shall be given to managing the renewal funding gap, any identified backlog (unfunded failed assets) or strategic objectives Council may have identified either through Asset Management Plans, Service Plans or Strategic documents, which may impact on Level of Service considerations.

This practice ensures that an appropriate financial allocation supports asset renewal in a timely and cost effective manner whilst ensuring that the levels of services are delivered in alignment with community expectations.

### **6.3 Platform 3: Council Plan Priorities – Operational/Capital**

Funding Aim: *Adequate funds are provided to support delivery of project and service enhancements which align with the City Plan and its key objectives.*

The City Plan, incorporating the Council Plan, seeks to provide alignment between community aspirations and Council's strategic direction, and is articulated by five City Plan Objectives. While in the main, the City Plan does not often articulate specific deliverable objectives, focusing instead on aspirations for the city and its people. The Council Plan, however does identify specific Council Plan strategies which align to these objectives.

Where identified, it is expected that each objective is aligned to an operational or capital budget, which affords delivery of that objective. Where this cannot be achieved, appropriate funding shall be allocated to support its delivery.

New/upgrade works programs fall under a number of categories. These categories, as outlined in *Attachment 1*, will be used as the basis for the preparation of the 5-Year New/Upgrade Capital Works Program in this area.

Programs which are considered well-suited for funding under this category will generally meet the following objectives:

- Community expectations regarding Council's role is unlikely to vary from one year to the next.
- Priorities are informed by existing adopted strategies.
- Council Officers are able to produce objective evidence based lists of prioritised projects.
- Projects tend to involve standardised engineering design solutions, which generally require less complex planning and scoping than more unique projects.

## APPENDIX A

### 6.4 Platform 4: Operational Services

Funding Aim: *Adequate funds are provided to support operational services delivered to the Knox community in line with service levels agreed to by Council. Funding levels will support staff Award requirements and changes to legislation. Asset maintenance funding shall support new, upgraded or contributed assets in the previous year, as determined by a lifecycle cost analysis.*

To facilitate the provision of Budget Parameters for the forthcoming financial year, the timing of any review of operational services should be finalised to provide input to the review of the LTFF.

The operational service costs determined from the lifecycle cost analysis of the previous year's approved New/Upgrade Capital Projects and/or Contributed Assets (i.e. from external developments) are also incorporated into the LTFF.

The updated LTFF then articulates Council's direction in the form of Budget parameters on the split of funding between Operational and Capital funding.

Service Planning outcomes are to be used to inform changes to operational services and provide Council with the necessary information to make an informed decision as to the extent and level of services provided to the community.

### 6.5 Platform 5: Major Projects

Funding Aim: *Funds allocated to achieve significant strategic outcomes and long term Council objectives through delivery of a Major Project.*

Council may commit untied funds to a substantial operational or capital major project or program which has been identified as delivering on a key strategic objective.

A capital major project shall be defined as being greater than four times the multiple of one per cent of rates (refer to the Loan Borrowings and Return on Investment Policy). An operational major project shall be deemed to be greater than one per cent of rates.

When considering funding sources for a major project/s the Loan Borrowings and Return on Investment Policy shall be referenced in the first instance to ensure compliance and good corporate governance.

A lifecycle cost analysis is to be conducted for all major projects so that the full financial impact of commissioning such a project is documented.

### 6.6 Platform 6: Assets – New/ Upgrade/Expansion

Funding Aim: *Funds allocated to new/upgrade/expansion capital works program over a 5 year horizon in line with budget capacity as articulated in the Long Term Financial Forecast.*

## **APPENDIX A**

A Five Year Capital Works Program is presented to Council on an annual basis for consideration and aligns with the availability of funds as articulated in the Long Term Financial Forecast.

Depending on the scale of the project, funding may only be provided for the relevant stage of the project, namely Scoping, Design or Delivery. It is mandatory that all projects of a value greater than \$0.5 million are subject to a scoping process prior to progressing to a detailed design phase. All projects of a value greater than \$50,000 shall incorporate a detailed design phase prior to progressing to a construction phase.

Projects to be considered for funding are required to be subjected to a Project Readiness Assessment prior to receiving funding. A lifecycle cost analysis will also be conducted for all projects so that the full financial impact of commissioning such a project is understood.

This program is presented across 23 discrete Capital Works asset categories and supports the delivery of new, upgrade and expanded Capital Works projects. Within each of the programs, ranking criteria are reviewed and presented to Council on an annual basis to ensure a transparent process is applied to the allocation of funding.

Program lists are determined by relevant service areas within Council and there exists opportunity for new projects to be assessed, ranked and added to the program listing at any time throughout the year. These may be identified by Councillors, community group representatives or individuals.

### **6.7 Other Administrative Matters**

#### **Service Planning**

Council is progressing service planning processes across 35 discrete Council services. The service plans have been developed to provide a strategic assessment of both the existing and future operating context and examine service delivery scenarios which respond to the changing needs of the Knox community.

The service plan outcomes identify potential changes in service delivery which may materially impact on Council's budgeting process, either as a result of service enhancement or reduction. Once endorsed by Council, it is acknowledged that the following year's budget process makes allowance for key service planning decisions.

Where appropriate, all service plan priorities requiring a Capital Works outcome will be referred as appropriate to either the Major Projects or New/Upgrade/Expansion Capital works program. Where service planning has been undertaken, the ranking criteria within these discrete programs shall provide appropriate weighting to reflect this assessment.



## APPENDIX A

### Applications for External Grants and Contributions

Prior to the submission of an application for a new grant/contribution (excluding recurrent grants), approval must be sought from the Executive Management Team unless the total value of the grant is less than \$10,000 and the direct or in-kind contribution from Council towards the project remains less than \$10,000 and is provided for within existing budgets. In such cases, the decision to pursue a grant remains the responsibility of the appropriate Director. In all cases, it is a requirement that the project clearly aligns with objectives in the Council Plan.

When considering a potential grant/contribution application deliberation shall be given to:

- Council Vision and Strategy
- Outcomes from Service Planning
- Long Term Financial Forecast
- Available resources
- Political overlay/environment
- Stage of budget planning cycle
- Project/Program type
- Threshold of grant application

If an application is approved, the project will be presented to Council during the current budget planning process as an Officer recommended project with the associated required funding from Council.

Should the value of the grant or contribution be greater than \$1,000,000 for a single transaction or \$500,000 for a multi year grant or contribution then approval must be sought from Council.

### Ranking Criteria

New/Upgrade/Expansion Capital works programs fall under a number of categories. These categories as outlined in *Attachment 1* and will be used as the basis for the preparation of the Capital Works Program.

Ranking criteria to prioritise projects within individual categories is applied to provide a robust methodology that measures the merits of competing projects in that particular category. The criteria and associated weightings used to rank projects within each category will be reviewed regularly and endorsed by Council to ensure that they continue to address contemporary issues.

On completion of the ranking of projects, the consequential priority listing of works for each category should be tabled for Council consideration as part of the annual budget process.

In addition to the ranking criteria, the selection of New/Upgrade/Expansion projects should apply the following principles:

- To enable the Capital Works Program to be delivered, individual projects that are not adequately scoped (i.e. with concept plans and preliminary cost estimates prepared) will be excluded and considered for funding in the subsequent year.

## APPENDIX A

- Applications for External Grant funding to be accompanied by a detailed scoping of works and preliminary cost estimate.
- Preference shall be provided to projects that have completed design and public consultation phases.
- Large and complex works, projects requiring extensive consultation with residents or external authority approval, shall be staged over a 2-3 year period to facilitate detailed design and consultation.
- Projects with identified works spread across two or more financial years shall have the funding reflected accurately within the Budget/s of the respective years.
- All New/Upgrade/Expansion projects short-listed for consideration in the first year of the Draft 5-year Capital Works Program shall (where practicable) have a lifecycle costing completed to inform the financial implications (future maintenance and renewal costs) of the works.

Ranking criteria are equally applied to assign priority across the asset renewal programs.

### **Project Readiness Assessment**

All individual New/Upgrade/Expansion Projects listed in the 5-Year New and Upgrade Program will require a Project Readiness Assessment prior to being considered for funding in the Capital Works Program. This process will ensure that projects have been adequately planned and costed and are ready for progression to either detailed design and/or construction phases.

The Project Readiness Assessment process may recommend the following:

- Large and complex works (i.e. projects requiring extensive consultation with residents or external authority approval), shall be staged over a 2-3 year period to facilitate detailed design and consultation.
- Projects with identified works spread across two or more financial years shall have the funding reflected accurately within the Budget/s.
- Individual projects that are not adequately scoped are referred back to the 5 Year Program and reconsidered for Capital funding in subsequent years.
- Where project proposals are found to be infeasible based on the cost, benefit and/or deliverability, continuance with a specific project may be terminated.

### **Public Submissions**

As part of the development process for the Operating and Capital Works Program, additional projects may be considered for funding as part of the Budget Public Submission Hearing process.

To ensure that Operating and Capital Works projects are adequately scoped and have a preliminary cost estimate completed, a *Project Readiness Assessment* should be undertaken to confirm the ability to complete the project on time, within budget and to the required quality (service level).

## APPENDIX A

### Reporting

Council shall report on an annual basis as to its performance in delivering the Operating Budget and the Capital Works Program in line with the requirements of the Local Government Act (1989). Sustainability initiatives and strategic objectives achieved shall also be considered and presented to Council.

## 7. RELATED DOCUMENTS

- Council's Annual Budget Documents
- Knox Vision and City Plan (incorporating the Council Plan 2013-17)
- Long Term Financial Forecast
- Asset Management Policy
- Loan Borrowings and Return on Investment Policy
- Financial Governance Policy
- Strategic Resource Plan
- Annual Council (SPC) Report: Capital Works Program – Project Ranking Criteria
- Service Plans
- External Grant/Contribution Application Procedure

## APPENDIX A

### Attachment 1 – New / Upgrade / Expansion Capital Works Program Categories

Business Case No.	Program	Description
4000	STRUCTURED SPORTING FACILITIES	Development of new and upgraded recreation/leisure infrastructure at Council's Open Space structured recreation/leisure reserves.
4001	CULTURAL & LIBRARY FACILITIES	Development and upgrade of cultural and library facilities.
4002	INDOOR LEISURE FACILITIES	Development of new and upgraded recreation/leisure infrastructure at Council's Indoor Leisure Centres.
4003	FAMILY & CHILDREN SERVICES BUILDINGS & FACILITIES	Related Building Works for Maternal & Child Health, Pre-school, Playgroups, Child Care, Early Childhood Intervention.
4004	AGED CARE BUILDINGS	Development and upgrade of aged care buildings.
4005	COMMUNITY BUILDINGS AND FACILITIES FOR OTHERS	Improving the condition, location and management of Council owned community facilities.
4006	NEW FOOTPATH CONSTRUCTION PROGRAM & PEDESTRIAN FACILITIES	Annual allocation to provide paths to link with existing pathways, new paths and bus stops.
4007	ROAD & BRIDGE CONSTRUCTION	Road and Bridge Improvement Works.
4008	LOCAL AREA TRAFFIC MANAGEMENT SCHEMES	On-going program to provide traffic management devices to existing streets to enhance safety and local amenity.
4009	NEW BICYCLE / SHARED PATHS	A program for extensions to the existing bicycle and shared path network.
4010	LOCAL ROAD SAFETY INITIATIVES	Program for local road safety infrastructure projects to enhance road safety and amenity.
4011	PUBLIC TRANSPORT INFRASTRUCTURE	Works to improve the amenity, accessibility and functionality of the public transport system.
4012	NEW PLANT & MACHINERY	Program of new plant purchase for new services.
4013	LAND ACQUISITION	Program of purchasing or disposal of Council land
4014	UNSTRUCTURED RECREATION	Upgrade Existing Open Space for Unstructured Recreation.
4015	PLACE MANAGEMENT	Program of New and Upgrade works at Council Activity Centres.
4016	STREETSCAPE UPGRADES	Program to support the street tree environment through the removal of weed species and the provision of trees and understorey planting.
4017	DRAINAGE UPGRADES	Flood mitigation works as identified through Knox City Council's drainage strategy report and major drainage issues identified through Council's customer response system.
4018	SUSTAINABILITY INITIATIVES	Initiatives to reduce environmental impact from new and existing Council facilities through the use of Environmentally Sustainable Design Principles.
4019	CIVIC & CORPORATE BUILDINGS & FACILITY UPGRADES	Program for new / upgrade works for Council facilities.
4020	INFORMATION COMMUNICATION TECHNOLOGY (ICT)	Program of improved IT systems as determined by the ICT Master Plan.
4021	SUSTAINABLE INITIATIVES FOR OUTDOOR STRUCTURED FACILITIES	Initiatives to make Council's Outdoor Structured Sporting Facilities more sustainable.
4022	WATER QUALITY IMPROVEMENTS	Creation of new or upgrade of existing assets to treat and improve the quality of water discharging to Council's natural waterways.
4023	COMMUNITY SAFETY INITIATIVES	Creation of new or upgrade existing assets to enhance community safety.



**UNTIED FUNDING ALLOCATION POLICY**

<b>Policy Number:</b>	2005/13	<b>Directorate:</b>	Corporate Development/Engineering & Infrastructure
<b>Approval by:</b>	Council	<b>Responsible Officer:</b>	Director, Corporate Development
<b>Approval Date:</b>	<del>Xx/xx/20xx</del> <u>1105/912//2015</u>	<b>Version Number:</b>	<u>45</u>
<b>Review Date:</b>	<del>xx/xx/20xx</del> <u>(4 years from approval date)</u> <u>1105/912/2015</u>		

**1. PURPOSE**

The purpose of this policy is to outline the ~~methodology approach in to determine the~~ allocating on of untied funding ~~across between~~ competing projects and services ~~as part of through~~ the annual budgetary process. ~~It is envisaged that t~~Ihis policy will ~~generate the following advantages:~~

- ~~Support t~~Support Transparency in the prioritisation of untied funding within Council's Budget.
- ~~Enhance capacity and guidance to ensure Council's operational and capital expenditure is based on agreed priorities in alignment with the Council Plan~~
- ~~M~~To maintain sustainable service delivery to the community.
- ~~Provide sion of the requisitered~~ funding to ~~manage~~retain Council's assets in effective working condition.
- ~~Enhanced capacity and guidance to e~~Ensure Council's operational and capital expenditure is ~~managed~~based on ~~agreed priorities in alignment with a~~ prioritised basis in line with the Council Plan.
- ~~Provide g~~Greater financial certainty on availability of funding for new and upgrade ~~capital projects over a long term period.~~
- ~~Provide a framework for Council to identify and fund capital projects that will deliver on its key strategic objectives via a rolling 4-Year program.~~Support presentation of the Capital Works program across a five year horizon.

This policy aims to enhance Council's overall financial governance and stewardship to improve the resource allocation process.

**2. CONTEXT**

~~The following advantages are considered outcomes of the application of the methodology contained in this policy.~~

## APPENDIX B

### **Improved alignment with the Council Plan**

This policy provides guidance on the allocation of untied funding ~~with~~ to ensure alignment with the Council Plan. This policy directs Council to allocate funds towards its public policy objectives as outlined in the Council Plan in a concerted and transparent way. In particular, projects selected for the ~~Non~~ ~~Discretionary~~ New/Upgrade 4-Year Capital Works Program will be determined by targets set in Council's strategic documents and objective project ranking criteria.

### ~~Transparent Process for Allocation of Untied Funds~~

~~A transparent process for directing the allocation of untied funds is anticipated to be an important requirement when defending an action under the Road Management Act (2004).~~

### ~~Increased certainty for the community~~

~~This policy will allow the community to be informed in advance of the Council's priorities for ongoing programs of operating initiatives and capital works New/Upgrade projects to be funded over a 4-year period. The community will then be better informed as to the likely funding of projects with the positive impact of better managing the community's expectations for ongoing service delivery and capital works funding and providing greater certainty for the community in the allocation of Council's funds.~~

### ~~Improved pre-planning for Capital Works Implementation~~

~~The Capital Works Non-Discretionary 4-Year Program will enable Council officers to more effectively plan for selected new/upgrade projects.~~

### ~~Allocating resources to the highest priority~~

~~The underpinning concept of the use of Council-agreed prioritisation criteria is the desire to ensure that the overall needs of the community are addressed in a strategic way with the highest priority taking precedence.~~

### ~~Resource Savings~~

~~The methodology contained in this policy is anticipated to bring with it considerable administrative savings as the use of Council's staff resources will be directed towards prioritised works and service initiatives.~~

### ~~Lifecycle Cost~~

~~This process will not only support the use of lifecycle cost as a means to understand the financial implications of a capital project but ensure lifecycle costs of an approved project are incorporated into the Long Term Financial Strategy to acknowledge the expansion of the asset inventory base. Ongoing economic sustainability requires development of a framework for managing available funds and assigning priority to the allocation of those funds to support both operational and Capital projects. In applying this methodology it is imperative that Council recognises that it has to:~~

- ~~• Manage existing assets across their expected life;~~
- ~~• Respond to service and infrastructure requirements mandated by others;~~
- ~~• Support service delivery needs;~~
- ~~• Align both service and asset provision with community expectations.~~

## APPENDIX B

### 3. SCOPE

This policy will apply to all Council staff and Councillors involved in the preparation of Council's Annual Plan, Budget, Long Term Financial ~~Strategy~~ Forecast and the Capital Works Program.

Specific purpose funding is allocated in accordance with the legal requirements and obligations required to enable Council to fulfill its commitments associated with this funding and is not specifically considered in this policy.

### 4. REFERENCES

#### 4.1 ~~City~~ **Council Plan**

- ~~Democratic and Engaged Communities A Well Governed & Leading Organisation~~

#### 4.2 **Relevant Legislation**

- Local Government Act 1989
- Local Government (Planning and Reporting) Regulations 2014

#### 4.3 **Related Council Policies**

- Service Planning Policy
- ~~Mid Year Budget Review Policy~~
- Asset Management Policy
- Financial Governance Policy ~~Loan Borrowings and Return on Investment Policy~~
- Policies requiring Audit Committee ~~e~~ Endorsement

#### 4.4 **Related Council Procedures**

- External Grant/Contribution Application Procedure

#### 4.5 **Other Related Documents**

- Long Term Financial ~~Strategy~~ Forecast
- 4-Year Capital Works Program
- Budget documents
- Annual Council (SPC) Report: Capital Works Program – Project Ranking Criteria
- Strategic Resource Plan

## APPENDIX B

### 5. DEFINITIONS

**Asset New** - Expenditure that creates a new asset that does not currently exist. The provision of an asset to satisfy or improve a level of service, provide for new demand from customers, or to provide a commercial return.

**Asset Renewal** – Expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability. Includes all funds required to refurbish or renew existing assets of Council. This includes all assets covered by Council's Strategic Asset Management Plan (including municipal signage), Information Systems Plan (hardware and software renewal/upgrades) and Motor Vehicles and Plant Schedules/Plans.

**Asset Upgrade** - Expenditure that: (a) enhances an existing asset to provide a higher level of service; or (b) increases the life of the asset beyond its original life.

**Asset Expansion** – Expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to existing beneficiaries. Expenditure on upgrading the standard of an existing asset or infrastructure network to provide a higher level of service to community users, e.g. widening the pavement and sealed area of an existing road, sealing an existing gravelled road, replacing drainage pipes with pipes of a greater capacity, etc.

**Capital Works Project** – Delivery of physical infrastructure works to includes funds required to upgrade an existing or provide a new asset/infrastructure of Council to meet an identified community need or strategic objective. The Capital Works delivery process comprises three distinct phases for significant projects, which include:

- **Scoping** – this phase articulates the strategic need for the project and identifies key functional requirements, having regard for service plan priorities, integration/alignment opportunities across complementary projects and progresses the conceptual design.
- **Design Development** – this phase progresses the functional design requirements of the project, having regard to permits, planning and functional requirements. This process incorporates progression to detailed design plans, incorporating bill of quantities, cost estimates and specification suitable for incorporation into the contract package.
- **Delivery** – this phase includes implementation of the project in line with aspirations identified in the Design Development phase.

**Contingency Allocation** - funds set aside to specifically provide emergency or contingency funding.

**Discretionary Untied Funding** – refers to all general revenues received by Council that are not required to be allocated for a specific purpose. Funding from aAccumulated surplus for carryover, reserve funding, proceeds from sale of plant and equipment and Tied Grants are specifically excluded.



## APPENDIX B

**Lifecycle Cost** - refers to the total costs of ~~owning and ership and management of~~ an asset over its anticipated life cycle. ~~The K~~key asset lifecycle cost elements may includeare:

- Acquisition and financing costs;
- Asset operations including externalities;
- Operational saving due to energy and efficiency;
- Asset maintenance;
- Risk exposure costs;
- Rehabilitation costs;
- Replacement costs;
- Asset administration;
- Rate of return requirement on capital use charges;
- Asset depreciation; and
- Asset disposal and site reinstatement costs.

**Major Project** ~~– refers to a project of a capital or operational nature where Council invests significantly to achieve a key strategic outcome.~~ A capital major project shall be defined as being greater than a multiple of four times the multiple of one per cent of rates (refer to the Loan Borrowings and Return on Investment Policy). ~~An and an~~ operational major project shall be deemed to be greater than delineated as one per cent of rates.

**New Initiatives/Service Growth** – refers to an addition/increase in Operational Services or a strategic project, above that currently funded in the Operational Budget.

**Operational Services** – includes all funds required to provide a range of services by Council to meet the needs and expectations of our community, at levels agreed to by Council.

**Reserve** – an allocation of funding set aside for a defined purpose.

**Service Planning** - Service Planning reviews and articulates short, medium and long term objectives across Council's programs and projects which collectively provide support or guidance to the community in order to achieve the objectives of Knox's Vision and City Plan.

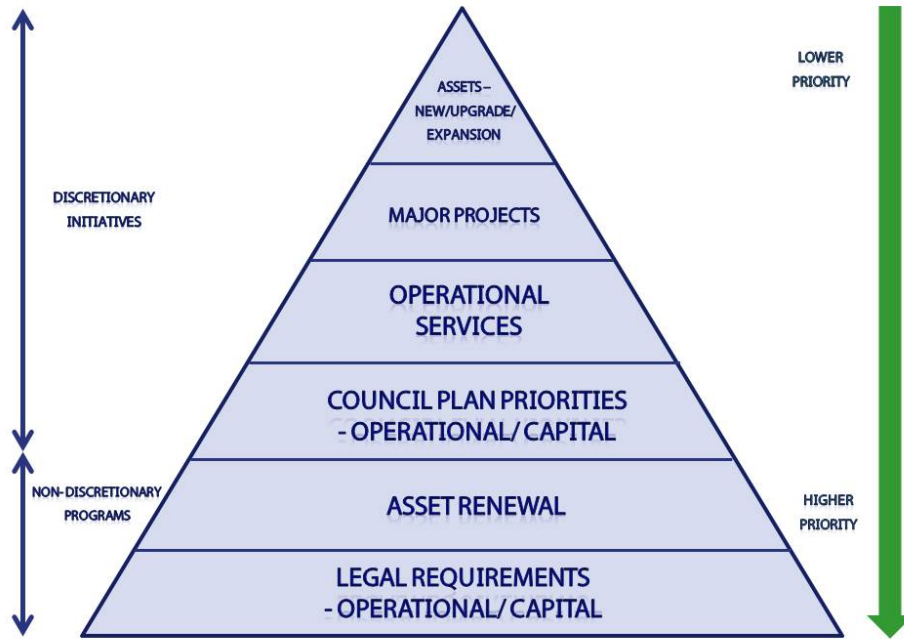
## 6. COUNCIL POLICY

As part of the annual budget process a judgement is ~~made required by the~~ Council to determine the allocation of untied funding. ~~This judgement is difficult, as the Council must weigh up many competing demands where direct and meaningful comparison of priorities can be problematic. For example, the decision to fund infrastructure refurbishment and replacement projects must compete for funds with the provision of services such as child care. Key elements of risk management and responsibility can be challenging to weigh up and compare during this process. The making of this choice is not simple, In making such decisions, Council seeks to deliver makes an assessment and provides direction after determining the best overall outcome for the community at large in line with Council's objectives as articulated in the Council Plan and in alignment with key directions established by Council's Service Planning processes.~~

## APPENDIX B

As part of the budget process, untied funding is allocated between capital and operating expenditure, and between discretionary and non-discretionary funding. [Table 1 below displays the funding relationship between the available programs within Council's Budget.](#)

[FigureTable 1 below shows Council's framework for prioritising untied funding expenditure across both capital and operational programs.](#)



## APPENDIX B

Budget Program	Funding Allocation	Untied Funding Classification
Operating	Operational Services (delivery of Service Levels agreed to by Council)	Non-Discretionary
Operating	Increase in operating costs due to Contributed assets and New/Upgrade Capital Works (lifecyle costing)	Non-Discretionary
Operating	New Initiatives/Service Growth	Discretionary
Operating	Contingency Allocation	Discretionary
Capital	Asset Renewal	Non-Discretionary
Capital	Legal Requirements	Non-Discretionary
Capital	Major Projects	Discretionary
Capital	4-Year Capital Works Program – New/Upgrade or Disposal Projects (projects nominated over a 4-year period)	Non-Discretionary
Capital	Annual Capital Works Program – New/Upgrade or Disposal Projects (projects nominated on an annual basis)	Discretionary

**Table 1: Funding Allocation within Framework Council's Budget**

The methodology outlined below recognises that there is a precedence of funding provision across both operational and capital services. Each allocation category is defined by a funding platform, ranging from 1 to 6, which reflect both non-discretionary and discretionary priorities.

The current frameworks ensures that: best practice principles for untied funding allocation when preparing a budget provides that:

- Non-discretionary programs are funded as a priority over discretionary items.
- Legislative and regulatory requirements for both Council services and assets are prioritised over other programs
- Service planning informs both operational and capital requirements. operating funds reflect the continuance of service levels agreed to by Council whilst acknowledging changes to legislative and industry requirements;
- Existing assets are managed as a priority over new, upgraded or expanded assets
- additional operating funds are provided to maintain any additional new or upgraded asset stock managed by Council.
- The framework recognises that while from the previous year are included; and
- capital funds are committed in the first instance to renewal and refurbishment of existing asset stock.

## APPENDIX B

~~Capital Works projects are presented to Council to provide a five year outlook to the program, the annual budget process is used to nominated to be funded over a 4-year period will be considered as non-discretionary over that period and given higher funding priority accordingly identify and articulate both service and asset management requirements and typically reflects a 12 month horizon. Council's Long Term Financial Forecast articulates the budget framework over a 10 year outlook, having regard to both service and asset requirements.~~

~~New Initiatives or Service Growth (Operating Budget) as well as Annual New and Upgrade capital investment (Capital Budget) remain as discretionary and will be funded after all other commitments have been met.~~

~~The methodology outlined below is to be applied in allocating discretionary untied funding (Refer to Attachment 2 - Summary - Process for Funding Allocation).~~

### **6.12 StepPlatform 1-2: Legal Requirements**

~~Funding Aim: To make available as a priority any untied funding that is required operationally or in the Capital Works Program to address legislative or regulatory compliance.~~

~~On determination of the operational funding to provide services at the desired levels, untied Untied funds shall then be prioritised on a non-discretionary basis to accommodate Council's legal or regulatory requirements. This funding may be classified as operational or capital in nature and will be allocated to ensure Council complies with any outstanding legislative or regulatory conditions.~~

~~Where the expenditure is a treatment or response to a known corporate risk it is mandatory for this allocation to be recorded in the appropriate risk framework.~~

### **6.24 StepPlatform 24: Asset Renewal Projects**

~~Funding Aim: Adequate funding iss are provided towards ensuring sustainable asset renewal targets in line with and refurbish existing asset stock, in order to retain existing capacity to deliver expected levels of service. This includes additional renewal modelling requirements to support needs for new, upgraded or contributed assets from the previous year.~~

~~Knox's Asset Management Policy states that...~~

~~*"Upon approving a new or upgrade capital works project, Council shall also commit to provide appropriate lifecycle funding for renewal, maintenance and operation within the capital works and operational budget."*~~

~~In accordance with Council's priority commitment to the provision of critical funding for asset refurbishment and renewal, the next step in the funding allocation is made to provide for these works. The allocation should reflect the funding needs identified in accordance with the relevant asset management plan for Council's current asset stock and additional asset renewal funding needs for the net increase in the asset network from new/upgrade projects or contributed assets vested in Council from the previous year.~~

## APPENDIX B

Council's Long Term Financial Forecast makes provision~~LTFFS provides for~~ renewal expenditure allocations to asset renewal with the aim of funding the renewal program in alignment with Council's asset renewal modelling, which gives regard to the anticipated life of the asset, current condition and expected deterioration rates across asset categories of the asset network.

When reviewing the required level of funding, consideration shall be given to managing the renewal funding gap, any identified backlog (unfunded failed assets) or strategic objectives Council may have identified either through Asset Management Plans, Service Plans or Strategic documents, which may impact on Level of Service considerations.

This ~~responsible practice ensures that an provides for appropriate a financial capital allocation that allows Council's existing asset network to be renewed and refurbished~~supports asset renewal in a timely and cost effective manner whilst ensuring that the levels of services are delivered in alignment with community expectations~~continues to enjoy quality service provision.~~

### **6.34 Platform 3: Council Plan Priorities – Operational/Capital**

Funding Aim: Adequate funds are provided to support delivery of project and service enhancements which align with the City Plan and its key objectives.

The City Plan, incorporating the Council Plan, seeks to provide alignment between community aspirations and Council's strategic direction, and is articulated by five City Plan Objectives. While in the main, the City Plan does not often articulate specific deliverable objectives, focusing instead on aspirations for the city and its people. The Council Plan, however does identify specific Council Plan strategies which align to these objectives.

Where identified, it is expected that each objective is aligned to an operational or capital budget, which affords delivery of that objective. Where this cannot be achieved, appropriate funding shall be allocated to support its delivery.

New/upgrade works programs fall under a number of categories. These categories, as outlined in Attachment 1, will be used as the basis for the preparation of the 5-Year New/Upgrade Capital Works Program in this area.

Programs which are considered well-suited for funding under this category will generally meet the following objectives:

- Community expectations regarding Council's role is unlikely to vary from one year to the next.
- Priorities are informed by existing adopted strategies.
- Council Officers are able to produce objective evidence based lists of prioritised projects.
- Projects tend to involve standardised engineering design solutions, which generally require less complex planning and scoping than more unique projects.

## APPENDIX B

~~Variation to the funding levels within the asset renewals sub program, in particular with those as specified in adopted asset management plans or renewal modelling (at the conclusion of a condition audit) shall ultimately inform the allocation to be provided. When reviewing the required levels for funding consideration shall be given to the existence of any renewal gap, backlog (unfunded failed assets) or strategic targets Council may have.~~

### ~~6.14~~ **Step Platform 14: Operational Services**

~~*Funding Aim: Adequate funds are provided to maintain current support operational services delivered to levels to the Knox community in line with at service levels agreed to by Council. Funding levels will support need to allow for staff Award requirements and changes to legislation. Asset mMaintenance funding shall support of existing asset stock and an annual increase to allow for new, upgraded or contributed assets in the previous year, as determined by a lifecycle cost analysis is also provided for under the funding for operational services.*~~

~~To facilitate the provision of Budget Parameters for the forthcoming financial year, the timing of any review of operational services should be finalised to provide input to the review of the LTFSF.~~

~~The operational service costs determined from the lifecycle cost analysis of the previous year's approved New/Upgrade Capital Projects and/or Contributed Assets (i.e. from external developments) are also incorporated into the LTFSF.~~

~~The updated LTFSF then articulates Council's direction in the form of Budget parameters on the split of funding between Operational and Capital funding.~~

~~Service Planning is outcomes are to be used to consider inform changes to operational services and consequently the Operating Budget. Service Planning considers the services provided within the context of Vision 2025 and the Council Plan, and provides Council with the necessary information to make an informed decision as to the extent and level of services provided to the community.~~

~~To facilitate the provision of Budget Parameters for the forthcoming financial year, the timing of any review of operational services should be finalised to provide input to the review of the LTFS.~~

~~The operational service costs determined from the lifecycle cost analysis of the previous year's approved New/Upgrade Capital Projects and/or Contributed Assets (i.e. from external developments) are also incorporated into the LTFS.~~

~~The updated LTFS then articulates Council's direction in the form of Budget parameters on the split of funding between Operational and Capital funding.~~

### ~~6.3~~ **Step 3: Contingency Allocation**

~~*Funding Aim: Untied funds are provided as required to take make provision for unknown or changed circumstances to Council's services or financial commitments.*~~

## APPENDIX B

~~After determining operating services to be provided and legal requirements, Council will consider the need for the establishment of any contingency or emergency fund. Council could (if desired) direct the allocation of appropriate funds to a special purpose Reserve or to be held in Accumulated Surplus. A prudent guide as to the funds to be allocated may be one half of a per cent of rates.~~

### 6.5 ~~Step Platform 55:~~ Major Projects

~~Funding Aim: Funds allocated to achieve significant strategic outcomes and long term Council objectives through delivery of a Major Project.~~

~~In determining untied funding allocations there may be occasion where a portion of the funds should be allocated to achieve a long term goal.~~

~~This allocation could take the form of providing funds to a Reserve in a similar manner to the funds set aside through the Major Projects Reserve.~~

~~Alternatively Council could facilitate changes to proportional allocations of discretionary untied funds over future years within the New/Upgrade Works component of the Capital Works Program to address the funding needs of larger capital projects or significant programs within the operating budget.~~

~~Similarly to capital projects, Council may commit untied funds to a substantial operational or capital mg major project or program which has been identified as delivering on a key strategic objective ~~as documented within the Vision.~~~~

~~A capital major project shall be defined as being greater than four times the multiple of one per cent of rates (refer to the Loan Borrowings and Return on Investment Policy). An operational major project shall be deemed to be greater than one per cent of rates.~~

~~When considering funding sources for a Mmajor Pproject/s the Loan Borrowings and Return on Investment Policy shall be referenced in the first instance to ensure compliance and good corporate governance.~~

~~A lifecycle cost analysis ~~will~~ is to be conducted for all major projects so that the full financial impact of commissioning such a project is documented.~~

### 6.6 ~~Step Platform 66:~~ 4-Year Capital Works Program (non-discretionary) Assets – New/ Upgrade/Expansion

~~Funding Aim: Funds allocated to new/upgrade/expansion capital works program projects over a 5-4-year horizon in line with budget capacity as articulated in the Long Term Financial Forecast ~~period to achieve strategic outcomes as outlined in the Council Plan.~~~~

~~The A 4- Five Year Capital Works Program is presented to Council on an annual basis for consideration and aligns with the availability of funds as articulated in the Long Term Financial Forecast.~~

~~Depending on the scale of the project, funding may only be provided for the relevant stage of the project, namely Scoping, Design or Delivery. It is mandatory that all projects of a value greater than \$0.5 million are subject to a scoping process prior to progressing to a detailed design phase. All projects of a value greater than \$50,000 shall incorporate a detailed design phase prior to progressing to a construction phase.~~



## APPENDIX B

Projects to be considered for funding are required to be subjected to a Project Readiness Assessment prior to receiving funding. A lifecycle cost analysis will also be conducted for all projects so that the full financial impact of commissioning such a project is understood.

This program is presented across 23 discrete Capital Works asset categories and supports the delivery of new, upgrade and expanded Capital Works projects. Within each of the programs, ranking criteria are reviewed and presented to Council on an annual basis to ensure a transparent process is applied to the allocation of funding, provides an opportunity for Council to focus funding allocations on projects that fit with the delivery of Strategic Themes set out in the Council Plan. This step in the Budget process allows for some New/Upgrade Programs to be considered non-discretionary, in the sense that they become committed programs that have a fixed funding allocation during the 4-year Council term.

New/upgrade works programs fall under a number of categories. These categories, as outlined in Attachment 1, will be used as the basis for the preparation of the 4-Year Non-Discretionary New/Upgrade Capital Works Program in this area.

Program lists are determined by relevant service areas within Council and there exists opportunity for new projects to be assessed, ranked and added to the program listing at any time throughout the year. These may be identified by Councillors, community group representatives or individuals.

which are considered well suited to this level of non-discretion will generally meet the following objectives:

Community expectations regarding Council's role is unlikely to vary from one year to the next.

Priorities are informed by existing adopted strategies.

- Council Officers are able to produce objective evidence based lists of prioritised projects.
- Projects tend to involve standardised engineering design solutions, which generally require less complex planning and scoping than more unique projects.

The adoption of a 4-year program for Non-Discretionary New/Upgrade works will require the following decisions to be made for the financial year immediately following a General Council election (first year of the term):

1. The proportion of untied funding for New/Upgrade projects to be allocated to a 4-year program (i.e. non-discretionary funding).
2. Selection of New/Upgrade Sub Programs that meet Council's long-term strategic objectives and to which the non-discretionary funding is to be allocated.
3. The value (or percentage) of funding to be allocated for each New/Upgrade Sub Program over a 4-year period.



## APPENDIX B

Projects considered for funding within the 4-Year Non-Discretionary Capital Works Program are required to be subjected to a Project Readiness Assessment prior to receiving funding. A lifecycle cost analysis will also be conducted for all projects so that the full financial impact of commissioning such a project is understood.

### 6.7 Step 7: New Initiatives/Service Growth

**Funding Aim: Funds allocated only when all non-discretionary requirements are met. Funding provided in the first instance to projects which meet the selection criteria in Table 2 below.**

New initiatives and/or service growth are identified on an ongoing basis to meet Council's strategic priorities in accordance with the long term vision and the Council Plan, or as a result of external regulations or industry needs. These are presented to Council for funding consideration annually as part of the budget process.

Operating projects/programs will be prioritised using the criteria below in Table 2. Projects/Programs which meet the selection criteria are considered for funding in the LTFS.

<b>Priority Selection Criteria</b>
<i>Please note: all items considered for new operating funding must align with Council's strategic priorities as outlined in Council's Vision and Council Plan</i>
Legislative or regulatory requirement
Extreme risk where this is the only mitigation possible following a full assessment (details must be included in Council's corporate risk register)
Council resolution that this will be funded outside of the budget cycle
Matching \$ grant funding confirmed or highly probable
Internal service review outcome resolved by EMT/Council (either an increase or decrease in service provision)
<i>Please note: all items considered for new operating funding must align with Council's strategic priorities as outlined in Council's Vision and Council Plan</i>

### 6.7 Other Administrative Matters

#### **Service Planning**

Council is progressing service planning processes across 35 discrete Council services. The service plans have been developed to provide a strategic assessment of both the existing and future operating context and examine service delivery scenarios which respond to the changing needs of the Knox community.

## APPENDIX B

The service plan outcomes identify potential changes in service delivery which may materially impact on Council's budgeting process, either as a result of service enhancement or reduction. Once endorsed by Council, it is acknowledged that the following year's budget process makes allowance for key service planning decisions.

Where appropriate, all service plan priorities requiring a Capital Works outcome will be referred as appropriate to either the Major Projects or New/Upgrade/Expansion Capital works program. Where service planning has been undertaken, the ranking criteria within these discrete programs shall provide appropriate weighting to reflect this assessment.

### **Table 2: New Initiatives / Service Growth – Priority Selection Criteria**

Operating projects/programs which do not meet the above criteria will be considered annually and may be included in the LTFS as their priority dictates, or remain as "unfunded" projects (works) in Council's Budget.

### **Applications for External Grants and Contributions**

Prior to the submission of an application for a new grant/contribution (excluding recurrent grants), approval must be sought from the Executive Management Team unless the total value of the grant is less than \$10,000 and the direct or in-kind contribution from Council towards the project remains less than \$10,000 and is provided for within existing budgets. In such cases, the decision to pursue a grant remains the responsibility of the appropriate Director. In all cases, it is a requirement that the project clearly aligns with objectives in the Council Plan.

~~Prior to the submission of an application for a new grant/contribution (excluding recurrent grants) approval must be sought from the Executive Management Team.~~

When considering a potential grant/contribution application deliberation shall be given to:

- Council Vision and Strategy
- Outcomes from Service Planning
- Long Term Financial ~~Strategy~~ Forecast
- Available resources
- Political overlay/environment
- Stage of budget planning cycle
- Project/Program type
- Threshold of grant application

If an application is approved, the project will be presented to Council during the current budget planning process ~~or the earliest Mid Year Budget Review~~ as an Officer recommended project with the associated required funding from Council.

Should the value of the grant or contribution be greater than \$1,000,000 for a single transaction or \$500,000 for a multi year grant or contribution then approval must be sought from Council.

## APPENDIX B

### ~~6.8 — Step 8: Annual Capital New/Upgrade Program (discretionary)~~

~~Funding Aim: Funds allocated to New/Upgrade projects only when all non-discretionary requirements are met. Council's priorities for new & upgrade works should reflect the aim of fulfilling strategic objectives identified in the long term Vision and the Council Plan.~~

~~The remaining untied funding identified may be allocated to reflect Council's priorities for new & upgrade works in Council's Annual New/Upgrade Program.~~

~~Projects short listed for funding in the Discretionary New/Upgrade Program will need to have completed a Project Readiness Assessment prior to receiving funding. A lifecycle cost analysis will also be conducted for all projects so that the full financial impact of commissioning such a project is understood.~~

### Ranking Criteria

New/Upgrade/Expansion Capital works programs fall under a number of categories. These categories as outlined in *Attachment 1* and will be used as the basis for the preparation of the Capital Works Program.

Ranking criteria to prioritise projects within individual categories is applied to provide a robust methodology that measures the merits of competing projects in that particular category. The criteria and associated weightings used to rank projects within each category will be reviewed regularly and endorsed by Council to ensure that they continue to address contemporary issues.

On completion of the ranking of projects, the consequential priority listing of works for each category should be tabled for Council consideration as part of the annual budget process.

In addition to the ranking criteria, the selection of discretionary New/Upgrade/Expansion projects should apply the following principles:

- To enable the Capital Works Program to be delivered, individual projects that are not adequately scoped (i.e. with concept plans and preliminary cost estimates prepared) will be excluded and considered for funding in the subsequent year.
- Applications for External Grant funding to be accompanied by a detailed scoping of works and preliminary cost estimate.
- Preference shall be provided to projects that have completed design and public consultation phases.
- Large and complex works, projects requiring extensive consultation with residents or external authority approval, shall be staged over a 2-3 year period to facilitate detailed design and consultation.
- Projects with identified works spread across two or more financial years shall have the funding reflected accurately within the Budget/s of the respective years.
- All New/Upgrade/Expansion projects short-listed for consideration in the first year of the Draft 45-year Capital Works Program shall (where practicable) have a lifecycle costing completed to inform the financial implications (future maintenance and renewal costs) of the works.

## APPENDIX B

~~Ranking criteria are equally applied to assign priority across the asset renewal programs.~~

### ~~Applications for External Grants and Contributions~~

~~Prior to the submission of an application for a new grant/contribution approval must be sought from the Executive Management Team.~~

~~When considering a potential grant/contribution application deliberation shall be given to:~~

~~Council Vision and Strategy  
Outcomes from Service Planning  
Long Term Financial Strategy  
Available resources  
Ranking of project within 5-year Capital Works Program  
Political overlay/environment  
Stage of budget planning cycle  
Project type  
Threshold of grant application~~

~~If an application is approved, the project will be presented to Council during the current budget planning process or the earliest Mid Year Budget Review as an Officer recommended project with the associated required funding from Council.~~

~~Should the value of the grant or contribution be greater than \$1,000,000 for a single transaction or \$500,000 for a multi year grant or contribution then approval must be sought from Council.~~

### ~~Preparation of the Draft New/Upgrade Program (discretionary)~~

~~With the Discretionary New/Upgrade component providing the “final” element of the Budget Process, it is anticipated that this section may suffer a “funding squeeze” from time to time. In many instances detailed scoping documents are prepared for projects that do not have a realistic opportunity for funding.~~

~~In order to facilitate the budget process in a more efficient manner, an indication will be sought from Council in February of each year of indicative allocation amounts to each category of works (sub programs). In this regard, the scoping of projects within the discretionary component of the New/Upgrade program undertaken annually shall not exceed the greater of \$2.0M or 20% of the available budget for the Discretionary New/Upgrade component of the Capital Works Program.~~

~~It is acknowledged that the funding allocation nominated at this point is indicative only and may be amended by Council later in the budget process.~~

## ~~6.9 — Other Administrative Matters~~

### ~~Project Readiness Assessment~~

~~All individual New/Upgrade/[Expansion](#) Projects listed in the 45-Year [New and Upgrade](#) Program will require a Project Readiness Assessment prior to being~~

## APPENDIX B

considered for funding in the Capital Works Program. This process will ensure that ~~projects have been adequately planned and costed and are ready for progression to either detailed design and/or construction phases. funding requirements used will be more accurate and reliable.~~

~~This assessment process will also ensure that projects have been planned adequately and are ready for successful detailed design and/or construction.~~

The Project Readiness Assessment process may recommend the following:

- Large and complex works (i.e. projects requiring extensive consultation with residents or external authority approval), shall be staged over a 2-3 year period to facilitate detailed design and consultation.
- Projects with identified works spread across two or more financial years shall have the funding reflected accurately within the Budget/s.
- Individual projects that are not adequately scoped are referred back to the 5 Year Program and reconsidered for Capital funding in subsequent years.
- Where project proposals are found to be infeasible based on the cost, benefit and/or deliverability, continuance with a specific project may be terminated.

### Public Submissions

As part of the development process for the Operating and Capital Works Program, additional projects may be considered for funding as part of the Budget Public Submission Hearing process.

To ensure that Operating and Capital Works projects are adequately scoped and have a preliminary cost estimate completed, a *Project Readiness Assessment* should be undertaken to confirm the ability to complete the project on time, within budget and to the required quality (service level).

### Mid Year Budget Review

~~In terms of considering funding allocations for new items of expenditure through the Mid Year Budget Review, the Mid Year Budget Review Policy shall provide guidance as to any adjustments to the adopted Budget.~~

~~Inclusion of projects into the Operational Budget or the Capital Works Program through the Mid Year Budget Review requires projects to be delivered within a reduced timeframe (i.e. 6 months). To ensure the delivery of these projects within budget and the remaining time of the financial year, the following principles should be applied in addition to those as detailed within the Mid Year Budget Review Policy:~~

- ~~Preference shall be provided to projects which have an identified legal or OH&S requirement (documented in Council's Risk Register) to be delivered within the following six (6) month period.~~
- ~~All Capital Works projects submitted at the Mid Year Budget Review for funding consideration should have a *Project Readiness Assessment* undertaken to confirm the ability to complete the project on time and within budget.~~

## APPENDIX B

### Reporting

Council shall report on an annual basis as to its performance in delivering the Operating Budget and the Capital Works Program in line with the requirements of the Local Government Act (1989). Sustainability initiatives and strategic objectives achieved shall also be considered and presented to Council.

## 7. RELATED DOCUMENTS

- Council's Annual Budget Documents
- [Knox Vision and City Plan \(incorporating the Council Plan 2013-17\)](#)
- ~~Council Plan 2009-13~~
- Long Term Financial [Forecast Strategy](#)
- Asset Management Policy
- ~~Midyear Budget Review Policy~~
- Loan Borrowings and Return on Investment Policy
- [Financial Governance Policy](#)
- Strategic Resource Plan
- [Annual Council \(SPC\) Report: Capital Works Program – Project Ranking Criteria](#)
- [Service Plans](#)
- External Grant/Contribution Application Procedure

## APPENDIX B

### Attachment 1 – New / Upgrade / Expansion Capital Works Program Categories

Business Case No.	Program	Description
4000	STRUCTURED SPORTING FACILITIES	Development of new and upgraded recreation/leisure infrastructure at Council's Open Space structured recreation/leisure reserves.
4001	CULTURAL & LIBRARY FACILITIES	Development and upgrade of cultural and library facilities.
4002	INDOOR LEISURE FACILITIES	Development of new and upgraded recreation/leisure infrastructure at Council's Indoor Leisure Centres.
4003	FAMILY & CHILDREN SERVICES BUILDINGS & FACILITIES	Related Building Works for Maternal & Child Health, Pre-school, Playgroups, Child Care, Early Childhood Intervention.
4004	AGED CARE BUILDINGS	Development and upgrade of aged care buildings.
4005	COMMUNITY BUILDINGS AND FACILITIES FOR OTHERS	Improving the condition, location and management of Council owned community facilities.
4006	NEW FOOTPATH CONSTRUCTION PROGRAM & PEDESTRIAN FACILITIES	Annual allocation to provide paths to link with existing pathways, new paths and bus stops.
4007	ROAD & BRIDGE CONSTRUCTION	Road and Bridge Improvement Works.
4008	LOCAL AREA TRAFFIC MANAGEMENT SCHEMES	On-going program to provide traffic management devices to existing streets to enhance safety and local amenity.
4009	NEW BICYCLE / SHARED PATHS	A program for extensions to the existing bicycle and shared path network.
4010	LOCAL ROAD SAFETY INITIATIVES	Program for local road safety infrastructure projects to enhance road safety and amenity.
4011	PUBLIC TRANSPORT INFRASTRUCTURE	Works to improve the amenity, accessibility and functionality of the public transport system.
4012	NEW PLANT & MACHINERY	Program of new plant purchase for new services.
4013	LAND ACQUISITION	Program of purchasing or disposal of Council land
4014	UNSTRUCTURED RECREATION	Upgrade Existing Open Space for Unstructured Recreation.
4015	PLACE MANAGEMENT	Program of New and Upgrade works at Council Activity Centres.
4016	STREETScape UPGRADES	Program to support the street tree environment through the removal of weed species and the provision of trees and understorey planting.
4017	DRAINAGE UPGRADES	Flood mitigation works as identified through Knox City Council's drainage strategy report and major drainage issues identified through Council's customer response system.
4018	SUSTAINABILITY INITIATIVES	Initiatives to reduce environmental impact from new and existing Council facilities through the use of Environmentally Sustainable Design Principles.
4019	CIVIC & CORPORATE BUILDINGS & FACILITY UPGRADES	Program for new / upgrade works for Council facilities.
4020	INFORMATION COMMUNICATION TECHNOLOGY (ICT)	Program of improved IT systems as determined by the ICT Master Plan.
4021	SUSTAINABLE INITIATIVES FOR OUTDOOR STRUCTURED FACILITIES	Initiatives to make Council's Outdoor Structured Sporting Facilities more sustainable.
4022	WATER QUALITY IMPROVEMENTS	Creation of new or upgrade of existing assets to treat and improve the quality of water discharging to Council's natural waterways.
4023	COMMUNITY SAFETY INITIATIVES	Creation of new or upgrade existing assets to enhance community safety.

**APPENDIX B**

**Attachment 2 – Summary – Process for Untied Funding Allocation**

<b>Program</b>		<b>Process</b>
Operating	Preliminary work	Council conducts Service Planning process (as required).
Operating	Preliminary work	Preparation of business cases for New Initiatives/Service Growth.
Capital	Preliminary work	New/Upgrade works priority listing and ranking criteria reviewed and endorsed by Council.
Capital	Preliminary work	Preparation of 4-Year Programs for the New/Upgrade sub programs (discretionary).
Operating	Preliminary work	Lifecycle costing analysis of previous year's approved New/Upgrade Capital Works Projects and contributed assets included into the LTFS.
Budget	Preparation of Draft Budget	LTFS financial overview predicts economic indicators, level of rates levied and division of budget between operating, capital & other.
Budget	STEP 1	Operating Budget services content determined to allow development of LTFS.
Budget	STEP 2	Funding determined to address legislative requirements.
Budget	STEP 3	Allocation of Contingency amount (if required).
Capital	STEP 4	Asset Management requirements determined as documented within endorsed Asset Management Plans or completed condition audits (renewal modelling).
Capital	STEP 5	Major Projects funding determined – either as Reserve Allocation or through percentage allocation of the Capital Works Program.
Capital	STEP 6	Council determines level of Non-Discretionary Untied Funding for 4 Year Capital Works Program, including funding allocation per nominated New/Upgrade Sub Programs.
Budget	Preparation of Draft Budget	Level of Discretionary Capital Works Untied Funding determined.
Operating	STEP 7	Council determines the inclusion of New Initiatives/Service Growth projects/programs.
Capital	STEP 8	Council determines the allocation of Discretionary funding to New/Upgrade Works as part of Annual Capital Works Program.
Capital	Preparation of Draft Budget	Draft 4 Year Capital Works Program available for first review by Council.
Budget	Preparation of Draft Budget	Preparation of Draft Budget document.



# ~~KNOX PROCEDURE~~

## ~~EXTERNAL GRANTS/CONTRIBUTIONS APPLICATION PROCEDURE~~

<del>Policy Number:</del>	<del>TBA</del>	<del>Directorate:</del>	<del>Engineering &amp; Infrastructure</del>
<del>Approval by:</del>	<del>Council</del>	<del>Responsible Officer:</del>	<del>Craig Dinsdale Manager Sustainable Infrastructure</del>
<del>Approval Date:</del>	<del>TBA</del>	<del>Version Number:</del>	<del>1</del>
<del>Review Date:</del>	<del>3 Years</del>		

### ~~1. PRINCIPLES~~

- ~~• Prior to submission of an operating or capital grant/contribution application, approval must be sought from EMT (at the most convenient meeting date).~~
- ~~• When considering a potential new grant/contribution deliberation shall be given to;~~
  - ~~— Council Vision and Strategy~~
  - ~~— Outcomes from service planning~~
  - ~~— Long Term Financial Strategy (LTFS)~~
  - ~~— Available resources~~
  - ~~— Ranking of project within 5 year Capital Works Program~~
  - ~~— Political overlay/environment~~
  - ~~— Stage of budget planning cycle~~
  - ~~— Project/program type~~
  - ~~— Threshold of grant application~~
- ~~• If application is approved, the project will be presented to Council during the current budget planning process or the earliest Mid Year Budget Review as an Officer recommended project with the associated required funding from Council.~~

### ~~RESPONSIBILITIES~~

- ~~• **Program Manager (for operating and capital projects)** is responsible for;~~
  - ~~— Application (including collation of information)~~
  - ~~— Informing Finance, Sustainable Infrastructure and Delivery Manager (if a capital project)~~
  - ~~— Acquittals and reconciliations reports~~
  - ~~— Budget management~~
  - ~~— Payments (from grant benefactor)~~
  - ~~— Invoices to grant benefactor~~
  - ~~— Development of MOU (between Council and External Party)~~
  - ~~— Management of MOU~~
  - ~~— Disseminating information to relevant stakeholders~~
  - ~~— Manage applications for extensions of time~~

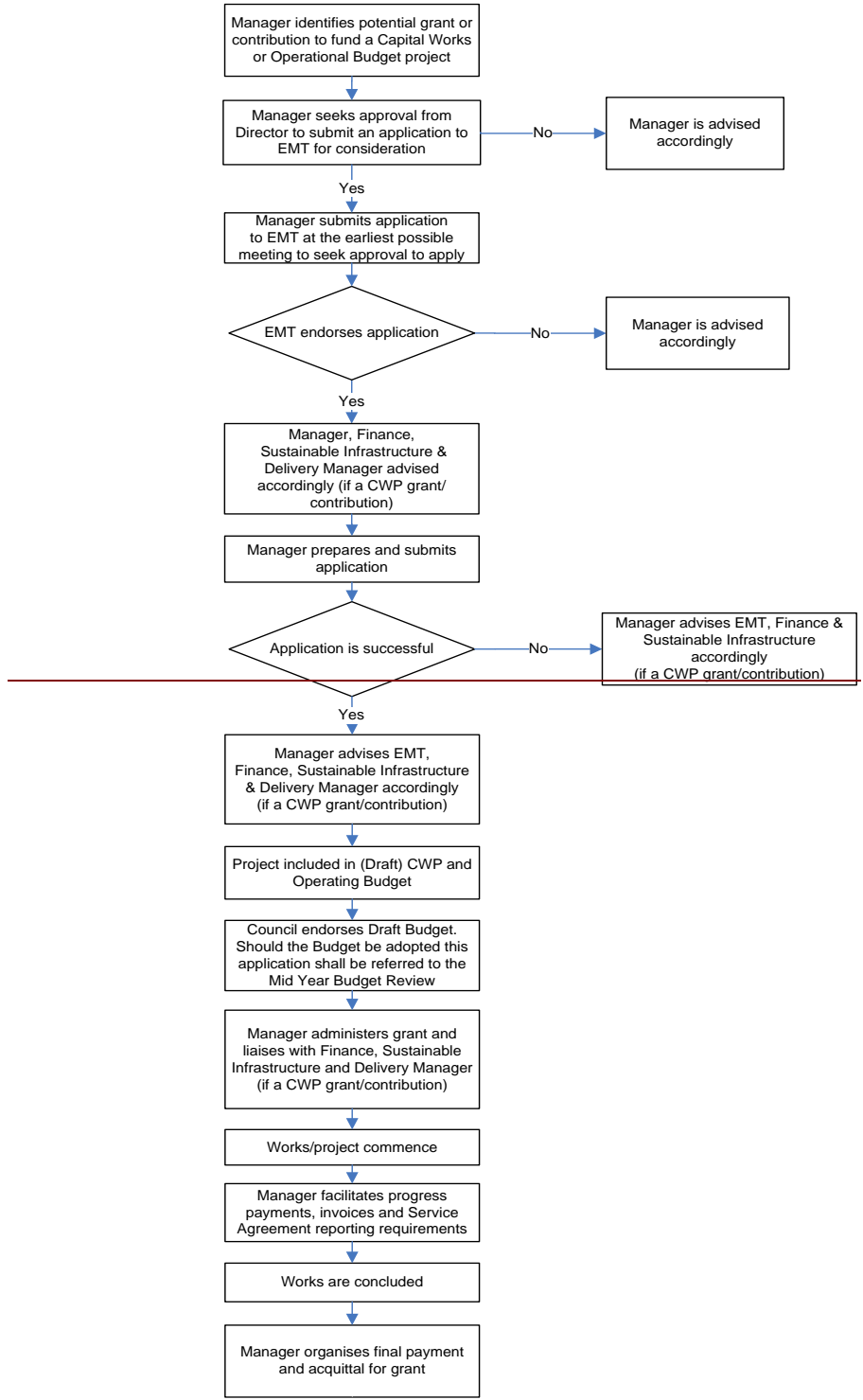
## APPENDIX B

- ~~**EMT** is responsible for;~~
  - ~~— Monitoring expenditures and project progress~~
  - ~~— Providing support where required (barriers)~~
  - ~~— Authorising and approving applications in line with selection criteria~~
  
- ~~**Finance** is responsible for;~~
  - ~~— Incorporating the grant/contribution into budget~~
  - ~~— Creating a budget account~~
  - ~~— Providing expenditure information to Program Manager~~
  - ~~— Disseminating information to relevant stakeholders~~
  - ~~— Providing LTFSE information~~
  
- ~~**Sustainable Infrastructure (for capital projects)** is responsible for;~~
  - ~~— Ensuring budget information is in CashFlow~~
  - ~~— Monitoring expenditures and project progress~~
  - ~~— Monitoring receipt of grant/contributions~~
  - ~~— Preparing draft Capital Works programs~~

**ATTACHMENT B**

**4.3. PROCESS**

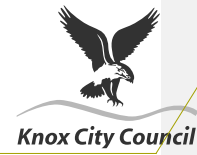
**External Grants/Contributions Application**



**ATTACHMENT B**

**4. Documentation**

**EMT SUMMARY SHEET**



Formatted: Font: Tahoma, 40 pt, Shadow, Small caps

**Report Title:** ~~External Grant/Contribution Application – Insert title of grant/contribution~~

**Report Background:**

~~Insert a brief overview of the proposed grant/contribution opportunity~~

<b>Priority Selection Criteria</b>	<b>Response to Selection Criteria</b> <small>Applicant to complete</small>	<b>Score</b> <b>(0–5)</b> <small>EMT Only</small>
<i>Please note: all items considered for new operating funding must align with Council's strategic priorities as outlined in Council's Vision and Council Plan</i>		
<del>1. Council Vision and Strategy</del>		
<del>2. Outcomes from Service Planning</del>		
<del>3. Long Term Financial Strategy Forecast</del>		
<del>4. Available resources</del>		
<del>5. Political overlay/environment</del>		
<del>6. Stage of budget planning cycle</del>		
<del>7. Project/Program type</del>		
<del>8. Threshold of grant application</del>		

**Reason for EMT Involvement:**

- ~~1. To inform EMT on the availability of a new operating or capital grant/contribution opportunity~~
- ~~2. To seek comments and feedback from EMT on the proposed grant/funding application~~
- ~~3. To seek approval from EMT/Council (refer to Untied Funding Allocation Policy) to make a submission for the proposed grant/funding application~~

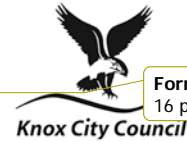
**Recommendation to EMT:**

- ~~1. To seek comments and feedback from EMT on the proposed grant/funding application~~
- ~~2. To provide approval from EMT/Council (refer to Untied Funding Allocation Policy) to make a submission for the proposed grant/funding application~~
- ~~3. To submit the project to Council as an officer recommend project during the current Budget cycle or at the earliest Mid Year Budget Review~~
- ~~4. To include the grant/contribution within the Long Term Financial Strategy~~

<b>EMT Meeting Date:</b>	
<b>Author of Report:</b>	
<b>Signature of Director:</b>	

**ATTACHMENT B**

**APPLICATION FORM**  
(to be submitted with EMT Report)  
**FOR AN EXTERNAL GRANT/CONTRIBUTION**



Formatted: Font: (Default) Tahoma, 16 pt, Bold

<b>Program No:</b> _____	<b>Program Description:</b> _____
<b>Project No:</b> _____	<b>Project Name:</b> _____
<b>Financial Year</b>	<b>20.....</b>

<b>Scope _____ of Works/Project</b>	_____
<b>Project Stakeholders</b>	_____
<b>Name of Grant</b>	_____
<b>Grant/Contribution Benefactor</b>	_____
<b>Closing _____ date _____ of Grant</b>	_____/_____/20...
<b>Community Group/s (beneficiaries)</b>	_____
<b>Value _____ of Contribution</b>	\$.....

**Grant Application Approval**

**Grant/Contribution Approved** No  \_\_\_\_\_ Yes

**Approving Officer:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

**Comments:** \_\_\_\_\_

**Distribution:** \_\_\_\_\_ Program Manager, Manager Sustainable Infrastructure,  
 \_\_\_\_\_ Manager Finance, Coordinator Capital Works, Management Accountant

**ATTACHMENT B**

**5. — References**

- ~~Untied Funding Allocation Policy~~
- ~~Mid-Year Budget Review Policy~~