

 <b>GOVERNANCE POLICY</b>	<b>Subject</b>	Prioritisation of Capital Works		
	<b>Responsibility</b>	Finance Manager		
	<b>Policy No.</b> GP78010.01	<b>Version:</b> 1.0	<b>Adopted</b> 29/11/00	<b>File Number:</b> 78.10.02

## Prioritisation of Capital Works Policy

### 1. Purpose

To establish guidelines for the prioritisation of capital works for budget purposes.

### 2. Background

2.1 Council has numerous demands placed on it to provide for various items of a capital nature. It is not possible to finance all desirable capital projects in addition to those seen to be essential in nature.

2.2 Council requires management to provide a methodology for prioritisation that can be incorporated in a policy statement.

### 3. Objective

To provide clear guidelines for prioritisation of capital works for budget purposes.

### 4. Guidelines

4.1 Initial prioritisation is undertaken by providing each project with a ranking based on the following scale.

Essential 8

- \* Statutory obligations including compliance with resource consents.
- \* Likely to become risk to human life.
- \* Essential to the continued operation of activity in whole or part.

Critical 7

- \* Ongoing delivery of service is affected, for example, continuous adequate water supply.
- \* Likely to become risk to human health.
- \* Significant risk to property identified where Council would incur liability if not rectified.
- \* Potential to become a risk of injury to humans.

Very Important 6

- \* Required to meet Council's key performance indicators.
- \* Significant cost savings if undertaken in conjunction with other projects with a ranking of 7 or 8.

Important 5

- \* Achieving Council's minimum levels of service where ranking is not included in 6, 7 or 8.

#### Significant 4

- \* Increase over Council's minimum levels of service would provide significant benefit.
- \* Cost benefit analyses points to significant savings in operating expenditure.
- \* Provides management with the ability to deliver consistent year round levels of service.
- \* Would improve levels of revenue from sources other than rates.

#### Desirable 3

- \* Would enhance the public image of Council's existing services.
- \* Meets community aspirations for additional levels of service.
- \* Non-essential services, requested by community, that will improve physical and cultural environment, for a wide segment of the community.

#### Marginal 2

- \* Non-essential services, requested by community, that will improve physical and cultural environment for a narrow segment of the community.

#### Unlikely 1

- \* Outside Council's existing core business.

**4.2** Upon completion of the list of projects with a ranking (4.1 above) the ability to fund will be tested using the following criteria.

**4.2.1** All projects able to be funded from reserves (special, depreciation or retained earnings) are to be identified.

**4.2.2** All projects other than in 4.2.1 above that are under \$100,000 are presumed to be funded by rates.

**4.2.3** All other projects other than identified in 4.2.1 and 4.2.2 will be presumed to be funded by loan. The finance department will test for compliance with Council's current borrowing policy (taking into account existing and projected debt).

**4.3** Upon completion of full activity budgets, testing of affordability of individual projects within the activity is tested using guidelines for rates increases as indicated by Council.

**4.4** Where a project has a ranking of 5 to 8 and is considered unaffordable, or exceeds borrowing policy, it should be included in the activity budget with a clear indication from management to Council the nature of the problem and alternatives to be considered.

**4.5** Council is responsible for the final decision as to the inclusion or exclusion of any capital works budget, and will provide reasons when deviating from the guidelines.