

Policy on prioritisation of capital works

Governance Policy

Policy Owner	Chief Financial Officer		
Adopted by	Thames-Coromandel District Council		
Description of policy	A policy to provide clear guidelines for prioritisation of capital works for budget purposes.		
Keywords	Capital works, priority, prioritise, prioritisation, capital projects, guidelines, ranking.		
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This version effective from:		Date of next review:	

Objectives

The objective of this policy is to provide clear guidelines for prioritisation of capital works for budget purposes.

Background

The 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. It is important to determine which projects are essential and, of those that are not, which should be given priority.

The Council's current Policy on Prioritisation of Capital Works was adopted on 29 November 2000, and provided guidelines for prioritisation of projects, including a scale by which projects can be ranked. However, as part of the 2009 Ten Year Plan process, a more detailed scale was used to rank capital works, and this scale was adopted by the Council as part of its Financial Sustainability Strategy in May 2010. This was then further refined in 2012 and included in the Community Benefit Assessment Tool which was used to assist in prioritisation of Ten Year Plan projects.

The 2000 policy has therefore been amended to include the Community Benefit Assessment Tool to provide updated and more specific guidance to assist in prioritisation.

Implementation

Relevant staff will be advised of the revised policy once approved by the Council and it will be included in Ten Year Planning processes.

Risks

If this policy is not implemented correctly, there is a risk that projects will not be prioritised consistently and may result in inappropriate outcomes in which important projects may miss out on funding which has been used for less important projects.

Measurement and Review

The effectiveness of this policy will be monitored by Finance Staff who will ensure that all capital projects have been allocated a priority rating, and that all other criteria of the policy have been considered. The policy will be reviewed every three years.

Adopted:

Policy Statement

- 1.0 Prioritisation will be undertaken by evaluating the benefits to the community from each project in combination with the delivery priority in accordance with the following steps. The results will be used to provide guidance to staff and elected members to ensure that community views and preferences are taken into account when prioritising capital projects.
- 2.0 Based on all relevant information (including activity plans, community plans, ratepayer survey information, etc. as appropriate), the extent to which the project will contribute towards the achievement of Council Outcomes will be determined using the following Council Outcome Impact definitions.

Council Outcome Contribution Matrix

Level	Description	Example detail description
1	Insignificant	Negligible/very limited contribution to Council outcomes. Very few people benefit (less than 200 people or lots), improvement on community wellbeing is minimal. Minimal environmental protection/enhancement.
2	Minor	Minor contribution to Community outcome element. Few people benefit (between 2,000 and 5,000 people or lots). Improvement to community wellbeing is not significant. Limited environmental protection/enhancement.
3	Moderate	Moderate contribution to Council outcomes. Where a relevant legislative definition of significant exists this should be applied. Some people benefit (between 5,000 and 10,000 people or lots). Improvement to community wellbeing is considerable. Important environmental enhancement or protection.
4	Major	This item is very important to achieving the Council outcomes. Many lives benefit and improvement to community wellbeing is greatly improved immediately and/or in the future. Benefits between 10,000 and 200,000 people or lots. Significant improvements to environmental protection or enhancements are gained through the delivery of this item.
5	Extreme	The contribution or effect on Council outcomes is widespread. The vast majority of people experience an improvement to their wellbeing. A high percentage of the community benefit now and in the future. Benefits between 20,000 or more people or lots. Brings about real and enduring positive effects for the enhancement or protection of the environment.

- 3.0 Where a project includes multiple components with varying impacts on Council Outcomes, an 'average' impact result will be determined. However, any one occurrence of an 'extreme' benefit impact will default to an overall 'extreme' rating and will not be averaged down.
- 4.0 A 'Community Priority' level will be determined based on what is known about how important the community considers this project/item to be and the appropriate level chosen from the following matrix.

Community Priority Levels

Level	Description	Example detail description
1	Very high Community priority	Strongly expressed by the community in ratepayer surveys, community plans, submissions to Council as something that is a priority above all or nearly all other Council Services. For example: ranked in the top 5 in the ratepayer survey, or ranking in the top 5-10 in the ratepayer survey and is also a very high priority item in community or reserve management plans.
2	Important Community Priority	Expressed by a majority of people in ratepayer surveys, community plans, submissions to Council as something that is a priority over most other things. For example: ranked in the top 5-10 in the ratepayer survey, or ranking in the top 10-15 in the ratepayer survey and is also a high priority item in community or reserve management plans.
3	Moderate Community Priority	Something that there is a strong feeling about in the community, something that is expressed in a considerable number of submissions and or is rated as a medium level priority in ratepayer surveys or community plans. For example: ranked in the top 10-15 in the ratepayer survey, or ranking in the top 15-20 in the ratepayer survey and is a medium priority item in community or reserve management plans.
4	Low Community Priority	A few people in the community or specific interest groups think this is a priority according to ratepayer surveys. Submissions may be received from time to time. Mentioned in community plans but not considered to be very important. For example: ranked in the top 20-25 in the ratepayer survey, or ranking in the bottom 5 in the ratepayer survey and is a low priority item in community or reserve management plans.
5	Very low Community Priority	No clear expressed community demand for this as a priority. No mention in community plans. Bottom of the list in community/ratepayer surveys. Submissions rarely if ever received in relation to this issue. For example: ranked in the bottom 5 in the ratepayer survey and does not feature as a priority in community or reserve management plans.

- 5.0 The Council Outcome Contribution level and the Community Priority level are combined to determine an overall a rating in the Community Benefit matrix as shown below.

Community Benefit Factors

	Insignificant	Minor	Significant	Major	Extreme
Very high community priority	Medium	High	Very High	Very High	Very High
Important community priority	Medium	Medium	High	Very High	Very High
Moderate community priority	Low	Medium	Medium	High	Very High
Low community priority	Low	Low	Medium	Medium	High
Very low community priority	Low	Low	Medium	Medium	High

6.0 The rating from the Community Benefit Matrix will then be factored against the Delivery Priority Factor to determine a Delivery Priority. The following table will be used to determine the Delivery Priority Factor.

Delivery Priority Factors

Descriptor	Economic	Environment, Legal & Compliance	Operational Risk	System, Asset & Project Performance
5. Essential/ Critical	Opportunity loss >\$2m; AC component generally > 80%; and/or project required prior to growth	Critical environmental harm; potential large-scale class action; prosecution with maximum fine or imprisonment	<i>Extreme</i> Serious loss of operational capability for 3-4 months; and serious disruption to service levels	Major unacceptable system, asset, quality or condition problem; failure to achieve critical system, asset or performance goals
4. Very Important	Opportunity loss \$1M - \$2M; AC component generally 60 - 80%; and/or project required as growth happens	Major environmental harm or long term recovery; high profile legal challenge; prosecution with heavy fine	<i>Major</i> Serious loss of operational capability for over 8 weeks; and major disruption to service levels	Failure to achieve some system, asset, quality or condition targets
3. Important/ Significant	Opportunity loss \$0.5M - \$1M; AC component generally 40 - 60%; and/or project required soon after growth happened	Measurable environmental harm; some legal constraints imposed	<i>Moderate</i> Serious loss of operational capability for over 6 weeks; and/or disruption to service levels for 4-6 weeks	Some reduction in system, asset, quality or condition
2. Desirable	Opportunity loss \$0.1M - \$0.5M; AC component generally 10 - 40%; and/or project in part required by growth but timing flexible	Infrequent and immaterial effect on environment or community (e.g. infrequent noise, odour, one-off measurable environmental impact); minor technical legal challenge	<i>Minor</i> Loss of operational capability in some areas; and/or some disruption to service levels	Minor system, asset, quality or condition degradation
1. Marginal/ Unlikely	Opportunity loss <\$0.1M; AC component generally < 10%; and timing not critical	Negligible legal impact; or breach of consent conditions	<i>Insignificant</i> No loss of operational capability; and/or minimal disruption to service levels	Negligible system, asset, quality or condition impact

7.0 The Community Benefit Factor and the Delivery Priority Factor determined in the above steps will be combined in the matrix below resulting in an Overall Delivery Priority.

Overall Delivery Priority matrix

	Low Community Benefit	Medium Community Benefit	High Community Benefit	Very High Community Benefit
Marginal Factor	Not important	Not important	Low importance	Important
Desirable Factor	Not important	Low importance	Important	Very important
Important Factor	Low importance	Important	Important	Critical
Very Important Factor	Important	Very important	Very important	Critical
Essential Factor	Critical	Critical	Critical	Critical

- 8.0 Upon completion of full activity budgets, affordability of individual projects within the activity will be tested using guidelines for rates increases as indicated by Council.
- 9.0 Where a project has a delivery priority of important and is considered unaffordable, or exceeds borrowing policy, it will be included in the activity budget with a clear indication from management to Council the nature of the problem and alternatives to be considered.
- 10.0 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.