

## Expenditure of Infrastructure Charges Policy

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Effective from: 25 June 2004

Contact officer: Infrastructure Planning Team Leader, Strategic and Environmental Planning and Policy, PET

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### OBJECTIVES

The objectives of this policy are to

- provide a set of procedures for the allocation of infrastructure charges to project funding, and
- establish business rules pertaining to the use of infrastructure charges.

Strategic Priority	Corporate governance, organisational capability and customer contact
Strategic Priority Outcome	Delivering effective corporate governance
Performance Measures	<ul style="list-style-type: none"> <li>• All projects funded by infrastructure charges are loaded to the Oracle Source of Funding system based on the approved funding mix.</li> <li>• Directorate's complete a prioritised listing of projects to be funded by infrastructure charges as part of their Four Year Capital Expenditure Program.</li> <li>• Council does not financially over commit its capital works program in relation to projects funded by infrastructure charges.</li> <li>• Expenditure is not incurred on any project funded by infrastructure charges prior to the respective funds being received by Council unless there is a history or trend of reliable cash inflows.</li> <li>• Any loan funding covered by this policy is backed by sound financial cash modelling principles.</li> </ul>
Corporate Risk	CO000435 Failure to achieve a sustainable long term financial position leading to negative impacts on Council's ability to deliver on its key focus area commitments.

### POLICY STATEMENT

As part of the development application process developers are required to pay infrastructure charges for the provision of infrastructure identified in the infrastructure charge plan and are charged based on their demand of the network.



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As part of legislation requirements to monitor the expenditure of infrastructure charges this policy aims to better inform infrastructure charges beneficiaries of their obligations when spending infrastructure charges.

### SCOPE

This policy applies to all officers seeking budget approval on projects to be:

- directly funded (either wholly or partly) by infrastructure charges
- funded by loans where future interest and redemption will be paid from infrastructure charges

### RELATED POLICIES / LEGISLATION

Not applicable.

### RELATED DOCUMENTS

Not applicable.

### RESPONSIBILITIES

Compliance with the provisions of this policy, and any attached guidelines/templates, is mandatory.

Sponsor	Director, Planning Environment and Transport
Business Owner	Manager, Strategic & Environment Planning and Policy
Policy Implementation	Manager, Strategic & Environment Planning and Policy



# Expenditure of Infrastructure Charges Policy Guidelines

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## 1. Capital Expenditure Program

Each directorate is to include within their Four Year Capital Expenditure Program a list of projects under their control which are to be funded (either wholly or partly) by infrastructure charges. For each of the four years in question the list must include:

- All projects funded directly from infrastructure charges
- All interest and redemption payments funded from infrastructure charges

The subject listings are to be provided by each directorate in a consistent format as determined each year by City Governance in consultation with representatives from other directorates and approved by EOC. Each listing will:

- Reconcile projects funded by Infrastructure charges to cost centre and function,
- Have projects presented in a priority order for each of the four years contained in the Capital Expenditure Program, and
- Disclose an aggregate funding requirement by year for each item of infrastructure charges.

Where the uncommitted balance for an item of infrastructure charges held in Trust is less than the respective funding required for Year One, additional estimates and details must accompany the directorate's prioritised project listing to satisfy Council that the required infrastructure charges will be received prior to commencement (ie, 1<sup>st</sup> July) of the financial year in question.

Unless Section 3 or 4 of this policy applies, any project funded (either wholly or partly) by infrastructure charges cannot be included in Year One of the Capital Expenditure Program if the required infrastructure charges are not expected to be received by Council prior to commencement of Year One.

## 2. Final Budget Preparation

As part of final budget preparation in late May or early June each directorate is required to review their Year One listing of projects funded by infrastructure charges to ensure that Council has received the anticipated infrastructure charges.

Where the required funds have not been received (and where Section 3 or 4 of this policy does not apply) it will be necessary to defer budget approval of lower priority Year One projects until the infrastructure charges have been received.

It is expected that any deferred project not given formal budget approval in Year One will be of a high priority in the subsequent year's Capital Expenditure Program.

## 3. Projects Funded By Infrastructure Charges Received After Commencement Of Year One



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Projects funded by infrastructure charges received after commencement of Year One can be included within a directorate's Four Year Capital Expenditure Program only where the following criteria is satisfied:

- Where applicable, there is a history or trend of reliable cash inflows for the respective item/s of infrastructure charges for at least a three year period
- It can clearly be demonstrated that the trend of cash inflows for the respective item/s of infrastructure charges will continue into future financial years
- Sufficient infrastructure charges will be received in the relevant year of the Four-Year Capital Expenditure Program to fully fund the applicable projects

Irrespective of budget approval, it is the responsibility of the controlling manager to ensure that the applicable infrastructure charges have been received prior to any costs being incurred.

A review of the projects is to be conducted on a six-monthly interval to ensure that project targets are met.

#### 4. Interest and Redemption Funded From Infrastructure Charges

Where insufficient infrastructure charges are available it is permissible for the following types of projects to be referred to Council via the appropriate committee for loan fund approval:

- Construction of infrastructure assets are demand driven projects where the infrastructure is required to be provided ahead of development (eg water, sewerage, stormwater drainage, roads etc).
- Acquisition of property or construction of infrastructure assets where it would be significantly financially advantageous not to defer the acquisition/construction.

Interest and redemption charges on loans drawn down for these projects will be paid from the future receipt of infrastructure charges. As such, infrastructure charges will effectively refund the provision of an already existing service.

To ensure that adequate funds are available for future interest and redemption payments the agenda item referred to Council must clearly disclose the following financial information:

- Expected yearly cash inflows for the respective item/s of infrastructure charges over the term of the loan
- Expected yearly cash outflows from the respective item/s of infrastructure charges over the term of the loan, including interest and redemption (both existing and future loans) and projects funded directly from infrastructure charges.

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- Assumptions used in the estimation of the cash inflows and outflows

It is essential that expected cash inflows and outflows are backed by sound financial modelling principles.

## 5. Internal Loans

Internal loans between different categories (water, sewerage, transport and recreation) of infrastructure charges cannot be utilised to fund projects due to the possible legal ramifications and administrative complexities.

## 6. Quarterly Budget Reviews

Uncommitted infrastructure charges received by Council can be allocated to a project and budget funding formally adopted by Council via submission to the respective committee and subsequent inclusion within a quarterly budget review.

As such, any project deferred from a directorate's Year One listing during final budget preparation can be approved during Year One upon receipt of the respective infrastructure charges.

## 7. Source of Funding System

Projects funded (either wholly or partly) by infrastructure charges are to be loaded by the controlling directorate to the Source of Funding system within Oracle Financials immediately following formal budget approval by Council. Similarly, any subsequent change to the funding amount or funding mix of a project already loaded to the Source of Funding system is to be adjusted within the Source of Funding system immediately following approval by Council.

Prompt inclusion and maintenance of projects within the Source of Funding system will ensure that:

- The required infrastructure charges are earmarked by the financial system as "committed" and, as such, unavailable to fund any other project.
- Infrastructure charges are transferred from the Trust system into Council's operating fund on a progressive basis as related expenditure is incurred
- Individual receipts of infrastructure charges can be tracked directly to a project or projects for which they funded.

## 8. Business Rules

- Unless Section 3 or 4 of this policy applies, any project funded (either wholly or partly) by infrastructure charges cannot be included in Year One of the Capital Expenditure Program if the required infrastructure charges are not expected to be received by Council prior to commencement of Year One.



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- Unless Section 3 or 4 of this policy applies, any project funded (either wholly or partly) by infrastructure charges must be omitted from the proposed Year One budget if Council has not received the required level of infrastructure charges by the time these projects are reviewed during final budget preparation in late May/early June.
  - Any project funded (either wholly or partly) by infrastructure charges cannot incur costs until the full amount to be funded from infrastructure charges has been received by Council unless there are clear stages to the project that can be completed without compelling Council to the completion of other stages prior to receiving sufficient funds
  - Internal loans between different items of infrastructure charges is not permitted
- Projects funded (either wholly or partly) by infrastructure charges must be loaded to the Oracle Source of Funding system prior to expenditure being incurred