

PRUDENTIAL MANAGEMENT

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Status	Mandatory
Review Frequency	4 yearly or as required
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Responsible Division	Resources
Related Documents	Procurement Policy Annual Budget & Annual Budget Performance Policy Asset Accounting Policy Financial Internal Controls Public Consultation Policy Risk Management Policy
Applicable Legislation	Local Government Act 1999, S48

Introduction

This document sets out the policy of the Alexandrina Council for prudential management of all its projects. This policy applies to all projects (as defined below) regardless of size. Council is committed to a pro-active risk management approach; all projects should be considered in the context of not only this policy, but also Council's Risk Management Policy.

Definitions

Due diligence – the obligation to exercise reasonable care of all aspects including financial assurance, Workplace Health and Safety, legislative compliance, risk management, appropriate consultation etc, prior to committing to a project.

Project – a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset.

A project is an endeavour with a defined beginning and end. The nature of a project stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to produce products or services.

For the purpose of this policy a project shall be considered if its annual value is \$25,000 or more. Whole of life cost including any ongoing financial impacts of the project will be considered during the project assessment stage.

Prudential Project – includes a project or commercial activity (being undertaken by Council or a subsidiary of Council) that requires prudential legislative requirements to be followed.

Legislation

This Policy is made pursuant to Section 48 of the Local Government Act 1999 (the Act) which provides:

- Section 48(aa1) – a Council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the Council:
 - acts with due care, diligence and foresight; and
 - identifies and manages risks associated with a project; and
 - makes informed decisions; and
 - is accountable for the use of Council and other public resources.



- Section 48(1) – a council must obtain and consider a report that addresses the prudential issues set out in *subsection (2)* before the Council engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body):
 - where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements)
 - where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed)
 - where the council considers that it is necessary or appropriate.
- Section 49(3) – a prudential report is not required in relation to road construction or maintenance or drainage works, even when the cost of such works would exceed the expenditure levels cited above.

Policy Objectives

This policy has two objectives:

- to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project
- to ensure that each Council project is:
 - managed during the project
 - evaluated after the project, to achieve identified public benefits or needs to minimise financial risks.

Project Identification

This Policy applies to all Council projects with a total annual value of \$25,000 or more, to ensure compliance with the Act, and that decision-making in respect of any project is made with reliable, accurate and timely information.

All projects being considered by Council must be entered in Council's project management tool. Based on cost, projects will follow one of two workflows, projects between \$25,000 and \$100,000 or projects over \$100,000 (refer Appendix A).

Projects whose value is \$3.5 million or over and which have the potential to trigger prudential reporting, will have additional reporting requirements during the workflow including the provision of an independent prudential report before implementation.

Project Assessment

All proposed project must be assessed as to the level of due diligence that is required. When approval is being sought or considered for a specific project, information must be provided to indicate:

- project details
- alignment to strategic plans
- business case including cost benefit analysis where appropriate
- risk assessment
- project ranking

- identification of key performance indicators
- communication plan
- impact on local businesses, the community and/or the environment
- the specific benefits or needs to be addressed
- the extent to which it may be substantially similar to other past projects
- the expected whole-of-life costs of the project
- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long term financial plan
- project delivery options
- partnership/funding/grant opportunities.

Due Diligence Report

A Due Diligence Report will be generated for projects entered through Council's integrated project management module capturing the information entered during the assessment phase. In preparing the information to go into the integrated project management module, projects with a smaller value and less risk may be prepared by a single staff member. Larger more complicated and/or riskier projects will require more information and assessment, with input from specialist officers eg engineering, finance, planning etc.

For large commercial or non-commercial projects, *section 48(1)* of the Act requires that a full prudential report be prepared for Council. A report under *section 48* will be regarded as the highest-level, most thorough type of Due Diligence Report for the purposes of this Policy.

A full prudential report may also be commissioned under *section 48* for "any other project for which the Council considers that it is necessary or appropriate"¹

The decision-maker should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

Due Diligence during a Project

After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the Due Diligence Report
- risks identified in the Due Diligence Report are managed appropriately.

Responsible officers will report regularly on project progress through Council's corporate reporting software.

Due Diligence after a Project

After a project has been completed, it will be evaluated according to the principles of due diligence, to determine the extent to which the project:

¹ Local Government Act 1999 Section 48(1)(b)(iii)



- has achieved the public benefits or needs to be identified in the Due Diligence Report that it was intended to achieve or satisfy
- has avoided or mitigated the risk identified in the Due Diligence Report.

At the conclusion of the project, a project evaluation report will be prepared through Council's corporate reporting software.

Consultation

Council will determine on a case by case basis at the time of its resolution whether consultation is required.

Delegations

Council acknowledges that the Chief Executive may sub-delegate matters related to this Policy to staff or other persons employed or engaged by council.

Documentation

To assist in demonstrating that due diligence processes are undertaken in a transparent and accountable manner, all project documentation, including Due Diligence Reports will be recorded in the Council's Electronic Records System (EDRMS).

Availability of Policy

This Policy will be available for inspection at the Council's offices during normal business hours and on the Council's website www.alexandrina.sa.gov.au. Copies will also be provided to interested members of the community upon payment of a fee in accordance with Council's Schedule of Fees and Charges.



