

<b>POLICY</b>	<b>ROBY COUNCIL</b>	Responsible Department	Executive
		Original Adoption Date	01.05.2014
		<b>Current Adoption Date</b>	<b>27.07.2022</b>
		Audit Committee Review Date	19.08.2022
		Date of Review	30.06.2024

**PRUDENTIAL MANAGEMENT POLICY**

<b>Latest Review Changes</b>	Minor formatting and editing changes
<b>Previous Council Reviews</b>	01.05.14, 18.04.18
<b>Previous Audit Committee Reviews</b>	27.6.14, 9.12.16, 23.03.18

**Applicable Legislation**

*Local Government Act 1999*  
- section 48(aa1)

**Related Policies**

Internal Financial Controls Policy  
Procurement Policy  
Risk Management Policy

**Related Procedures**

**Reference Documents**

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**1. INTRODUCTION**

This document sets out the policy of the Municipal Council of Roxby Downs for prudential management of all its projects. This policy applies to all projects (as defined below) regardless of size.

**2. DEFINITIONS**

<b>Due Diligence</b>	To act prudently (i.e. with care and thought) in evaluating associated risks.
<b>Project</b>	a new and discrete undertaking or activity that would involve the expenditure of money, and/ or deployment of resources, and/or incurring or assuming a liability, accepting an asset or divestment of an asset
<b>Whole of Life Cost</b>	The total cost of owning an asset over its entire life including design and building costs, operating costs, associated financing costs, depreciation, and disposal costs. Whole-life cost also includes environmental impact and social costs.

**3. POLICY OBJECTIVES**

This policy has three Objectives.

- (a) to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and
- (b) to ensure that each Council project is managed during the project and evaluated after the project, to achieve identified public benefits or needs and to minimise financial risks
- (c) to ensure compliance with Section 48 of the Local Government Act 1999.

**4. LEGISLATION**

This Policy is made pursuant to section 48(aa1) of the Local Government Act 1999 (“the Act”) which provides:

*A Council must develop and maintain prudential management policies practices and procedures for the assessment of projects to ensure that the Council:*

- (a) acts with due care diligence and foresight; and
- (b) identifies and manages risks associated with a project; and
- (c) makes informed decisions; and
- (d) is accountable for the use of Council and other public resources.

As such, this Policy applies to all Council projects, no matter how large or small, to ensure compliance with this provision, and that decision-making in respect of any project is made with reliable, accurate and timely information.

**5. RELATIONSHIP TO PROCUREMENT POLICY**

Council’s Procurement Management Policy requires that a Business Case is prepared for significant project-related expenditures as determined by the Administrator. The Business Case must show that any related risk issues have been considered. This policy provides guidance on the required content.

For a project that meets the requirements of Section 48(1) a separate Prudential Report will need to be prepared in addition to the Business Case.

**6. DUE DILIGENCE BEFORE A DECISION ON WHETHER TO PROCEED**

To document and demonstrate appropriate due diligence, a Business Case (including a risk statement) is to be prepared prior to a decision being made to commence the project. The content and extent of the Business

Case will depend on the level of due diligence required. When assessing the risk of a project reference should be made to Council's Risk Management Policy.

As a guide the following content should be included in a Business Case -

***For projects with a Low risk rating and whole of life cost under \$100,000, the Business Case should consider, at a minimum:***

- *What is the need for the service/project*
- *Value for money and affordability (including recurrent costing)*
- *Social, economic and environmental sustainability*
- *Governance*
- *Risk management*
- *Stakeholder management (& timelines)*
- *Asset owners and change management*

For the smallest projects with least financial risk, this Business Case may comprise only a single page.

**For Projects with whole of life cost over \$100,000 or a risk rating of Medium, High or Extreme, the Business Case should consider;**

- All of the elements of a basic Business Case listed above; plus
- Feasibility Study;
- High level consideration of expected costs and revenues over the life of the project, using discounted cashflow analysis; and
- A risk analysis of the cash flows or the assumptions of the cash flow analysis

**For projects that meet the requirements of Section 48(1)**, (i.e. cost of the project over 5 years is greater than 20 per cent of the Council's average annual operating expenses over the previous five financial years (as shown in Council's financial statements) or the expected capital cost of the project over the ensuing five years is likely to exceed \$4.0m (indexed by CPI from 1 January 2011), excluding road construction or maintenance and drainage projects, or the projects which are of high public interest, a Prudential Report must be prepared and must consider:

- the relationship between the project and relevant strategic management plans;
- the objectives of the Development Plan in the area where the project is to occur;
- the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried-on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the marketplace;
- the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
- if the project is intended to produce revenue, revenue projections and potential financial risks
- the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements
- any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the Council Chief Executive);
- the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the Council;
- the most appropriate mechanisms or arrangements for carrying out the project.

- if the project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the Land Valuers Act 1994.

If a project meets the requirements of section 48(1) and a full Prudential Report is not sought, the Council will record its reasons for not obtaining such a report. This might be satisfied simply by noting (if appropriate) that the proposed project has been assessed as being of low or negligible financial risk.

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”.

A report prepared under Section 48(1) must be prepared by a person considered qualified to address the prudential issues required, and who does not have an interest in the project. Council can ensure compliance with this requirement by appointing an external consultant to prepare this report. Reports prepared under Section 48(1) are to be made available to the public after a decision is made on whether to proceed with the project, unless Council orders that it be kept confidential.

## 7. 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 Business Case and / or Prudential Report; and
- financial risks identified in the Business Case and / or Prudential Report are managed appropriately.

## 8. 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:

- has achieved the public benefits or needs identified in the Business Case and / or Prudential Report that it was intended to;
- achieve or satisfy; and
- has avoided or mitigated the financial risks identified in the Business Case and / or Prudential Report.

## 9. REVIEW OF THE POLICY

To ensure that the principles of open Government are being applied in a proper manner it is anticipated that a review will be conducted every 2 (two) years.

## 10. ACCESSIBILITY

This policy is available to be downloaded free of charge from Council's website

<https://www.roxbydowns.sa.gov.au/council/about-roxby-council/policies>

Hard copies, for a fee, can be provided in accordance with Council's Fees and Charges, at the Council office at 6 Richardson Place, Roxby Downs, SA 5725.