

POLICY		Responsible Department	Finance
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PRUDENTIAL MANAGEMENT	
Latest Review Changes	Policy rewrite
Previous Council Reviews	01.05.14, 18.04.18
Previous Audit Committee Reviews	27.6.14, 9.12.16, 23.03.18

Applicable Legislation

<i>Local Government Act 1999</i> - section 48(aa1)

Related Policies

Internal Financial Controls Policy Procurement Policy Risk Management Policy
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Related Procedures

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Reference Documents

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1. INTRODUCTION

This document sets out the policy of the Municipal Council of Roxby Downs for management of prudential projects and issues, regardless of size. It is intended to enhance the legislative directions provided in Section 48(1) of the Local Government Act 1999 (the Act)

2. DEFINITIONS

Definitions for the purpose of this policy

TERM	DEFINITION
Business Case	A justification for a proposed project or undertaking on the basis of its expected benefit to the Council and Community
Due Diligence	<p>The obligation to exercise reasonable care of all aspects including but not limited to financial assurance, Workplace Health and Safety, legislative compliance, risk management, project management, expected whole-of-life costs, impact on future generations, and appropriate consultation prior to committing to a project.</p> <p>It will establish that Section 48(2) has been regarded, but additionally identify any gaps in information and make an assessment of the adequacy of that information to support informed decision making, and accountability for the use of Council and other public resources.</p> <p>A prudential report prepared under Section 48 of the Act will be regarded as the highest level due diligence report.</p>
Project	<p>A temporary endeavour with a defined beginning and end (not business as usual) 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.</p> <p>It will typically involve more than simply purchasing an asset or infrastructure; it does not need to entail expenditure as it may be based around the receipt of land or assets for free, or the granting of permission for a private activity on Council land.</p>
Prudential Management	Requires the financial risks or adverse financial consequences of a project to be considered, minimised or offset to ensure that the proposed benefits of a project are achieved.
Prudential Project	A project or commercial activity being undertaken by Council or a subsidiary of Council that requires prudential legislative requirements to be followed.
Prudential Report	A report pertaining to a prudential project, that demonstrates due diligence has been undertaken and provides an assessment as to the adequacy of that due diligence.
Engage in a Prudential Project	When Council has agreed to commit funds or resources to a project
Whole of Life Cost	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

Council's objectives of this Policy are to ensure that each Council project:

- i. is undertaken only after an appropriate level of due diligence is applied to the proposed project
- ii. is managed during the project and evaluated after the project to achieve identified public benefits or needs; and to minimise financial risks
- iii. gives consideration to Council's strategic plans

- iv. gives consideration to projects that have a greater than usual risk in regard to financial and corporate governance arrangements.
- v. to ensure compliance with Section 48 of the Local Government Act 1999.

4. SCOPE

Council must follow prudential management legislation when it decides to undertake a project that has greater than usual risk in regard to financial or corporate governance arrangements. The situations where Council is required to consider a prudential report are defined under Section 48(1) of the Act.

Pursuant to Section 49(3) of the Act, 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 identified in this Policy.

A prudential report may be procured under Section 48 for any other project for which the Council considers that it is necessary or appropriate.

5. POLICY PRINCIPLES

Council is committed to a proactive risk management approach when undertaking significant projects that have a high initial or long-term impact on budgets.

Council will make open, transparent and informed decisions in regard to prudential projects.

Council will act with due care, diligence and foresight.

6. ROLES & RESPONSIBILITIES

Council

- Ensure policies are in place to assist staff with prudential management.

Chief Executive

- Engage the services of a suitably qualified independent person(s) in accordance with its Procurement Policy and Sections 48(4) and 48(4a) of the Act
- Receive regular reports on prudential management
- Provide a prudential report to the Audit and Risk Committee for comment before it is considered by Council.

Group Managers

- To ensure that relevant projects are assessed as to the level of due diligence that is required.

Project Managers

- For each project determine the level of due diligence assessment is required.

Audit and Risk Committee

- Provide commentary on the content, issues raised, and adequacy of a prudential report that includes all issues listed in Section 48(2) of the Act before it is considered by Council.

7. POLICY STATEMENT

Council will be guided by the requirements of Section 48 of the Act in regard to preparing and implementing prudential reports, commercial activities and projects. A Report will be prepared for projects that:

- 7.1. Reach the applicable financial threshold as detailed under Section 48(1) of the Act:

- 7.1.1. Where the expected expenditure of the Council over the ensuing five years is likely to exceed 20% of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or
- 7.1.2. Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed annually using the September Adelaide CPI uplifted from 1 January each year) in accordance with Section 48 (6)(d); or
- 7.1.3. As a result of a risk assessment present a high risk for Council in relation to factors required to be considered under Section 48(2) of the Act; or
- 7.1.4. the Council considers that it is necessary or appropriate; or
- 7.1.5. materially impact the assumptions in Council's Long-term Financial Plan.
- 7.2. Before Council engages in a prudential project, the Chief Executive or their delegate will engage the services of a suitably qualified independent person in accordance with Sections 48(4) and 48(4a) of the Act, to prepare a prudential report that includes all issues listed in Section 48(2) of the Act and seek comments on the report from the Audit and Risk Committee before it is considered by Council.
- 7.3. Council will ensure that prudential projects are only undertaken after an appropriate level of due diligence has been applied to the proposed project.
 - 7.3.1. Effective due diligence will be considered to have occurred where Council has been adequately informed as to how compliance, public interest benefits or needs, and but no limited to financial risks (including the financial risks of not proceeding or delaying the proposed project and consideration of ways they can be managed and/or mitigated associated) matters of the project have been considered (before, during and after completion of the project).
 - 7.3.2. Council will ensure that appropriate monitoring mechanisms are established for compliance, public interest benefits or needs, and financial risks during a prudential project.
 - 7.3.2.1. If the underlying assumptions of the project materially change during the project the Chief Executive Officer or their delegate has discretion to determine a need to revisit the prudential report and have an amendment made.
 - 7.3.3. On completion of a prudential report, Council will evaluate the project to consider and confirm, where applicable, that is has:
 - 7.3.3.1. Achieved the public benefits or needs identified within the adopted prudential report
 - 7.3.3.2. Avoid or mitigated the risks identified within the adopted prudential report
- 7.4. Except where information needs to be protected under Section 48(6) of the Act, adopted prudential reports will be available on Council's website for inspection by members of the public for the duration of the project to which they apply.
- 7.5. Adopted prudential reports will remain available for inspection by members of the public for at least one year beyond completion of the prudential project.
- 7.6. Council will not call for the preparation of a prudential report during a local government election period (as defined in Section 91A(8) of the Local Government (Elections) Act 1999) nor commit an incoming Council to engaging in a prudential commercial activity or project during an election period.

8. REVIEW OF THE POLICY

This Policy will be reviewed every four (4) years or earlier; or the frequency dictated in legislation, or earlier in the event of changes to legislation or related Policies and Procedures or if deemed necessary by the Group Manager. Minor administrative or formatting adjustments may be made and approved by the Chief Executive Officer.

9. 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>