

1. Introduction

- 1.1 This document sets out the policy of the District Council of Mount Remarkable for prudential management of all its projects. This policy applies to all projects as defined below.

2. Legislation

- 2.1 This Policy is made pursuant to section 48(aa1) of the *Local Government Act 1999* 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.*

3. Project Definition

- 3.1 A project may be defined as
- “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”*
- 3.2 This should not be interpreted to mean that all Council activities are “projects”.
- 3.3 Regular, ongoing deliveries of Council services are not “new and discrete” activities so therefore are not included within this definition.
- 3.4 A project is a temporary endeavour with a defined beginning and end.
- 3.5 The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services.

4. Application

- 4.1 To ensure that decision-making in respect of any project is made with reliable, accurate and timely information, projects that meet the following condition will require the development of a business case as outlined in this Policy:
- 4.1.1 where the total value of the project is \$500,000 or greater. Any ongoing costs will be considered separately during the project assessment.
- 4.2 Projects that meet one of the following conditions will require a full prudential report in accordance with s48(1) of the Act:

- 4.2.1 The capital cost of the project over the next five years is expected to exceed \$4,000,000 (indexed annually); or
- 4.2.2 Where the expected operating costs related to the project, calculated on an accrual basis of the Council, over the next five years are expected to exceed 20% of the Council's annual operating costs over the last five financial years; or
- 4.2.3 Where the Council considers that it is necessary or appropriate.
- 4.3 This Policy does not apply to projects exempted under Section 48(3) of the *Local Government Act 1999* (the Act) being:
 - 4.3.1 Road construction or maintenance; or
 - 4.3.2 Drainage works
- 4.4 All projects should be considered in the context of not only this policy, but also Council's Risk Management Policy and Risk Management Framework.

5. Objectives

- 5.1 This policy has two Objectives.
 - 5.1.1 to ensure that a Council project is undertaken only after an appropriate level of "due diligence" is applied to the proposed project; and
 - 5.1.2 to ensure that each Council project is:
 - managed during the project and
 - evaluated after the project, toachieve identified public benefits or needs; and to minimise financial risks.
- 5.2 The Objectives of this Policy shall be considered in a report on any potential project which falls within the parameters of this Policy.

6. Business Case Requirements

- 6.1 For projects with a total value of \$500,000 or greater, a business case will be prepared (refer Clause 4.1 above). At a minimum, the business will include:
 - 6.1.1 an analysis of the community / organisational need or demand to be addressed by the project;
 - 6.1.2 information on how the project fits with the District Council of Mount Remarkable strategic directions and priorities;
 - 6.1.3 quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;

- 6.1.4 assessment of project risks, and consideration of ways they can be managed and/or mitigated;
- 6.1.5 consideration of public value outcomes including social, environmental and economic outcomes.
- 6.2 For the smallest projects with low level risk, a business case may comprise only a single page and may be prepared by a single staff member. Higher value projects with a higher level or risk will require a more detailed business case.
- 6.3 More detailed business cases should include, in addition to the items listed above, the following information:
 - 6.3.1 a feasibility study, or other relevant independent advice;
 - 6.3.2 consideration of stakeholder feedback or stakeholder management requirements;
 - 6.3.3 consideration of governance issues.

7. Prudential Report Requirements

- 7.1 For projects meeting the conditions as set out in s48(1) of the Act (refer Clause 4.2 above), the following matters must be addressed in the prudential report:
 - 7.1.1 the relationship between the project and relevant strategic management plans;
 - 7.1.2 the objectives of the Development Plan in the area where the project is to occur;
 - 7.1.3 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 market place;
 - 7.1.4 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;
 - 7.1.5 if the project is intended to produce revenue, revenue projections and potential financial risks;
 - 7.1.6 the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
 - 7.1.7 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;

- 7.1.8 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 chief executive officer and to the council);
- 7.1.9 the most appropriate mechanisms or arrangements for carrying out the project;
- 7.1.10 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*.
- 7.2 A report prepared under s48(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. Refer to Section 48(6a) and (6b) of the *Local Government Act 1999* in regard to who would be considered a person having an interest in the project.
- 7.3 Council can ensure compliance with this requirement by appointing an external consultant to prepare this report.
- 7.4 Reports under s48(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.

8. Due Diligence During a Project

- 8.1 After a decision has been made to commence a project, it will be managed according to the principles of due diligence.
- 8.2 The Council will take action to manage the project so that:
 - 8.2.1 the project remains focussed upon the expected public benefits or needs that have been identified in the business case / prudential report; and
 - 8.2.2 financial risks identified in the business case / prudential report are managed appropriately.

9. Due Diligence After a Project

- 9.1 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:
 - 9.1.1 has achieved the public benefits or needs identified in the business case / prudential report that it was intended to achieve or satisfy; and
 - 9.1.2 has avoided or mitigated the financial risks identified in the business case / prudential report.

10. Document administration and control

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| Policy title: | Prudential Management Policy |
| Policy number: | 04.35 |
| Policy type: | Council / Statutory |
| Responsible officer: | Director Community & Corporate |
| First issued / adopted: | 14 October 2014, reference 169-2014 |
| Review period: | Reviewing within 12 months following the conclusion of a periodic election, inline with legislative changes, or by resolution of Council. |
| Last reviewed: | 18 May 2021, reference [103-2021] 18 April 2023 [070-2023] |
| Next review date: | By November 2027 |
| Version: | Version 5 |
| Date revoked: | n/a |
| Applicable legislation: | Local Government Act 1999 |
| Related documents: | Risk Management Policy Risk Management Framework Procurement Policy Schedule of Delegations |
| Public consultation required / undertaken: | No |
| Availability | <p>This Policy is available for inspection at the Council office and any person may obtain a copy of this Policy upon payment of the fee fixed by Council in accordance with Council's Fees and Charges adopted each financial year. It is also available on Council's website mtr.sa.gov.au.</p> <p>Any grievance in relation to this policy or its application should be forwarded in writing to the Chief Executive Officer of the Council.</p> |
| File reference: | W:\4. Policy Manuals\Current Policy Manual |