



## **TITLE: PRUDENTIAL MANAGEMENT POLICY**

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| REFERENCE NUMBER:                          | DOC/17/75239  |
| RESPONSIBLE DEPARTMENT:                    | Corporate Services  |
| APPLICABLE LEGISLATION:                    | Local Government Act 1999   |
| MOUNT BARKER 2035 DISTRICT STRATEGIC PLAN: | Governance and Leadership<br>GL 2.10 Ensure compliance with legislative requirements                            |
| RELATED POLICIES:                          | <ul style="list-style-type: none"><li>• Project Management Framework</li><li>• Risk Management Policy</li></ul> |
| SUPPORTING PROCEDURES:                     | <ul style="list-style-type: none"><li>• Nil</li></ul>   |
| ENDORSED BY COUNCIL:                       | 4 September 2017  |
| NEXT REVIEW DATE:                          | August 2021   |

### **1. POLICY STATEMENT**

This document sets out the policy of the Mount Barker District Council for prudential management of all its projects. This policy applies to all projects regardless of size.

### **2. POLICY OBJECTIVES**

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

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

### **3. DEFINITIONS**

#### **Project**

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”*

A project is a temporary endeavour with a defined beginning and end (not business as usual).

### **4. ROLES & RESPONSIBILITIES**

#### **Council:**

- Ensure policies in place to assist staff with prudential management

#### **Chief Executive Officer:**

- Receive regular reports on prudential management

#### **General Managers:**

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

#### **Project Managers:**

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

### **5. DECIDING UPON AN APPROPRIATE LEVEL OF DUE DILIGENCE**

#### **5.1 Appropriate Level of Due Diligence**

When approval is requested for a specific proposed project, information must be provided to the authorised decision-maker to indicate approximately:

- The specific benefits and/or needs to be addressed by the proposed project
- The expected whole-of-life costs of the proposed project
- What levels of financial or other risk may be involved
- Whether a Project Management Charter document has been completed.

#### **5.2 Assessment of Due Diligence**

The authorised decision-maker must ascertain whether:

- Funding of the whole-of-life costs of the proposed project may require additional allocations beyond those already accommodated In Council's long-term financial plan
- The proposed project may generate any additional financial risk for the Council
- The whole-of-life costs and the financial risks have been accounted for. If not, a due diligence report must be prepared.

### 5.3 Due Diligence Report

Sections 48(1)(a) and (b) of the Local Government Act 1999 (“the Act”) requires a full prudential report be prepared for Council for large projects excluding road works and drainage as specified in the legislation:

- 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
- Where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed)

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 prudential report prepared under Section 48 of the Act will be regarded as the highest level due diligence report for the purposes of this Policy.

Depending upon the context of due diligence required by the authorised decision-maker (General Manager or Project Sponsor), a due diligence report of greater or lesser detail will be prepared. This due diligence report will include, in relation to the proposed project:

- An analysis of the need or demand
- Identification and quantification of the expected financial and other benefits
- Identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs
- Assessment of the associated 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
- An evaluation that weighs up all the factors above.

### 5.4 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.

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
- financial risks identified in the due diligence report are managed appropriately.

## **5.5 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 Due Diligence Report that it was intended to achieve or satisfy
- has avoided or mitigated the financial risks identified in the Due Diligence Report.

## **6. REVIEW**

This Policy will be reviewed in four years or earlier in the event of changes to legislation or related Policies and Procedures or if deemed necessary by the General Manager Corporate Services.

## **7. ACCESS TO THE POLICY**

The Policy is available for public inspection at the Customer Service Centre, at the Local Government Centre, 6 Dutton Road, Mount Barker, South Australia and on the Council's website [www.mountbarker.sa.gov.au](http://www.mountbarker.sa.gov.au)

## **8. FURTHER INFORMATION**

For further information on this Policy, please contact:

Title: General Manager Corporate Services

Address: PO Box 54, Mount Barker  
South Australia, SA, 5251

Telephone: 8391 7249

Email: [dpeters@mountbarker.sa.gov.au](mailto:dpeters@mountbarker.sa.gov.au)