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EXECUTIVE SUMMARY

The following report has been prepared to satisfy the requirements of the Mount Barker District Council’s (MBDC) Prudential Management Policy and Section 48 of the Local Government Act 1999 (Act) which requires a Council to consider the prudential issues set out in Section 48 subsection 2 of the Act before engaging in a project which meets certain specified criteria.

The Mount Barker Regional Sports Hub – Stage 1 (Project) is the planned construction of two synthetic soccer pitches, an Australian rules football / cricket ground and associated facilities including clubrooms and viewing areas on land owned by MBDC off Springs Road in Mount Barker.

The Project budget is $20.308 million with proposed funding for the Project through a combination of Council borrowings (Provisioned to be $8.000 million), Federal and State Government grants ($11.925 million including $2.50 million which has been received via a grant from the Football Federation of South Australia), the Australian Football League/SANFL ($0.250 million), Cricket Australia / SACA ($0.050 million) and $0.083 million in interest revenue on the grant funds received in advance.

The Project is currently at the 100% design stage with MBDC awaiting a market price from an imminent tender process. Independent cost consultants have costed the current designs at $23.18 million (including a $1.4 million construction contingency) which exceeds the current project budget. The Project team are implementing four strategies to manage the costs of the Project to within the defined budget provision, however given the current costing of the existing design, there is a risk that MBDC will be unable to deliver the Project as currently scoped within the existing budget provision.

A detailed Business Case has been prepared in relation to the Project dated 5 December 2017 and updated (Addendum One) dated 17 January 2019.

The Business Case identifies the strategic rationale for the Project, the expected capital and operating costs of the facility and the expected financial and community benefits from progressing the Project. However, the Business Case does not include a current whole of life cost assessment which is required under Subsection (f) of Section 48 (2) of the Act.

A detailed risk assessment and risk register has also been prepared by the Project Team in accordance with MBDC’s risk management policy. The Project Team has been regularly considering, adjusting and reassessing the risks applicable to the Project with the various versions of the Project risk register demonstrating that project risk has been appropriately considered during the planning phase of the Project.

The key risks relating to the Project relate to the affordability of the Project in the context of Council’s Long Term Financial Plan and other strategic projects, and the risk of delays to the Project that may result if construction tender responses come back in excess of the Project budget. If construction tenders come back above budget, and value management and scope reductions are unable to quickly bring the costs to within the budget provision, the Project could be delayed. This could then impact the availability of existing Federal, State and other grants that have been committed to the Project.

In our view, MBDC has acted with due care, diligence and foresight in planning the Project and the Council, to date, has been provided with sufficient information in order to make an informed decision on progression of the Project. With the exception of the preparation of a current whole of life cost estimate, the requirements of Council’s Prudential Management Policy and Section 48 of the Local Government Act have been broadly satisfied.
## Prudential Review Key Findings

<table>
<thead>
<tr>
<th>s48 (2) Description</th>
<th>Prudential Review comments</th>
<th>Requirement Achieved?</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The relationship with strategic management plans</td>
<td>The Project is specifically referenced and/or aligned with the objectives in Council’s key strategic planning documents.</td>
<td>Yes</td>
</tr>
<tr>
<td>(b) The objectives of the Development Plan</td>
<td>The proposed land use appears to be consistent with the Development Plan. MBDC has obtained Development Planning Consent and is in the process of applying for Building Rules Consent in relation to the Project.</td>
<td>Yes</td>
</tr>
<tr>
<td>(c) The expected contribution of the project to the economic development of the local area. The impact on businesses carried on in the proximity. How the project should be established in a way that ensures fair competition in the market place</td>
<td>Economic Modelling has been undertaken to estimate the expected contribution that the Project will have on the broader economy. No assessment has been undertaken on businesses in the proximity, however, given the location of the Project, any impact is not expected to be material. The activities planned to be undertaken at the Regional Hub are not commercial in nature and the principles of fair competition are not relevant.</td>
<td>Yes - subject to comments</td>
</tr>
<tr>
<td>(d) The level of consultation with the local community and the means by which the community can influence the project.</td>
<td>A detailed consultation process has been undertaken which meets the requirements of MBDC’s Community Consultation Policy and the Local Government Act.</td>
<td>Yes</td>
</tr>
<tr>
<td>(e) Revenue projections and potential financial risks.</td>
<td>The assumptions relating to revenue projections for the Project are not considered unreasonable and are not significant when compared to the operating costs that will be required to operate the precinct.</td>
<td>Yes</td>
</tr>
<tr>
<td>(f) Recurrent and whole-of-life costs.</td>
<td>MBDC has prepared an updated financial model that forecasts Project costs over the LTFP period but has not prepared an updated whole of life cost assessment based on the increased estimated capital cost of the Project since the original Business Case in December 2017.</td>
<td>Yes - subject to comments</td>
</tr>
<tr>
<td>(g) Financial viability of the project</td>
<td>The Project’s operating revenues will not cover the forecast operating cost base of the Project. Provisions have been made in the LTFP that are more than expected to cover the identified operating costs of the Project.</td>
<td>Yes</td>
</tr>
<tr>
<td>(h) Risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks.</td>
<td>MBDC has demonstrated a proactive approach to Project risk management consistent with the requirements of Section 48 and MBDC’s Risk Management Framework.</td>
<td>Yes</td>
</tr>
<tr>
<td>(i) The most appropriate mechanisms or arrangements for carrying out the project</td>
<td>The Project Plan prepared in relation to the Project demonstrates that appropriate mechanisms are in place to carry out the Project.</td>
<td>Yes</td>
</tr>
<tr>
<td>(j) 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</td>
<td>The Project does not involve the sale of land.</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

## Prudential Management Policy

<table>
<thead>
<tr>
<th>Prudential Management Policy</th>
<th>Prudential Review comments</th>
<th>Requirement Achieved?</th>
</tr>
</thead>
<tbody>
<tr>
<td>An appropriate level of due diligence is applied to the proposed project</td>
<td>An appropriate level of ‘due diligence’ has been applied to the Project, consistent with MBDC’s requirements under the Local Government Act and its Prudential Management Policy</td>
<td>Yes</td>
</tr>
</tbody>
</table>
1. BACKGROUND

1.1 The Project

1.1.1 The Mount Barker Regional Sports Hub – Stage 1 (Project) describes the proposed construction of sporting grounds with associated multipurpose amenities buildings (with seating), maintenance building, car parking, access, driveways, lighting, landscaping, fencing, retaining walls, signage, site works, stormwater basin and removal of four regulated trees. High level site plans for the Project are shown in Attachment One.

1.1.2 The intent of the Project is to provide the existing and future population of the Mount Barker region with an appropriately scaled facility to meet the growing sporting and recreational needs of the community.

1.1.3 The latest cost estimate for the Project prepared by independent cost consultants is $23.18 million which will be funded by a combination of Federal and State grants, contributions from peak sporting bodies and Council borrowings. There is currently a $2.93 million shortfall between the costed designs and the funding available. Cost management strategies have been developed to manage this budgetary shortfall.

1.2 Purpose of a Prudential Review

1.2.1 Section 48 of the Local Government Act 1999 (Act) requires a Council to consider a report addressing the prudential issues set out in subsection (2) of the Act when a project meets certain criteria, namely where a council:

“(b) engages in any project

(i) where the expected operating expenses calculated on an accrual basis 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); or

(ii) where the expected capital cost of the project over the ensuing five years is likely to exceed $4 000 000 (indexed); or

(iii) where the council considers that it is necessary or appropriate.”

In addition, Council has adopted a Prudential Management Policy, dated 3 August 2017 that sets out Council’s approach for prudential management of all its projects. The objectives of the 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.”

1.2.2 As the Project has an expected capital cost in excess of the threshold specified in the Act, a Prudential Report has been commissioned by MBDC.
2. PRUDENTIAL REVIEW

2.1 Relationship with Strategic Management Plans

Section 48 (2) (a)
The relationship between the project and relevant strategic management plans

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
</table>
| Council Plans  | Mount Barker 2035 District Strategic Plan
Annual Business Plan and Budget 2018/19
Long Term Financial Plan 2018/28
Strategic Asset Management Plan | The Project is specifically referenced and/or aligned with the objectives in Council’s key strategic planning documents.
The Annual Business Plan and Budget and Long Term Financial Plan contain $8.0 million in funding provisions for the capital cost of the Project. The LTFP has sufficient funding provisions for future forecast operating costs.
Once construction is complete, Asset Management Plans will need to be updated to reflect the updated asset generated by the Project. |
| State Plans    | State Strategic Plan 2011                                                           | The Business Case considers the Project’s alignment with the State Strategic Plan (although we note the State Strategic Plan is no longer part of the State’s strategic planning framework under the Marshall Government). |
| Regional Plans | No regional plans noted                                                             |                                                                                                                                                              |
| National Plans | National Sport and Active Recreation Framework                                      | The Business Case considers the Project’s alignment with the National Sport and Active Recreation Framework.                                                      |

Findings:
Requirements of Section 48 (2) (a) have been met.
The Mount Barker Regional Sports Hub Business Case dated 5 December 2017 identifies the key strategic linkages between the Project and the most relevant strategic management plans. There is a high degree of alignment between the Project and Council’s key Strategic Management Plans.
2.2 Objectives of the Development Plan

Section 48 (2) (b)
the objectives of the Development Plan in the area where the project is to occur

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development zone</td>
<td>Mount Barker District Council Development Plan (consolidated 8 August 2017)</td>
<td>The relevant parcel of land is located in the Residential Neighbourhood Zone. Recreation areas is an envisaged land use in the Residential Neighbourhood Zone.</td>
</tr>
<tr>
<td>Approving Authority</td>
<td>Planning, Development and Infrastructure Act 2016.</td>
<td>MBDC has determined it is the Relevant Authority to approve the Development Application for the Project.</td>
</tr>
<tr>
<td>Land Management Agreement</td>
<td>Letter from the Minister for Planning</td>
<td>Allotment 412 Springs Road which is the proposed location of the Project is the subject of a Land Management Agreement. Consent to construct the Mount Barker Regional Sports Hub was provided by the Minister for Planning on 28 August 2018.</td>
</tr>
</tbody>
</table>

Findings:
Requirements of Section 48 (2) (b) have been met.
The proposed land use is consistent with the Development Plan.
Development Plan Consent has been obtained and the application for Building Rules Consent is currently being assessed.
2.3 Contribution to Economic Development

Section 48 (2) (c)
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;

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to economic development</td>
<td>Regional Sport Hub Business Case</td>
<td>The Business Case models the expected contribution to economic development in relation to the construction phase and the operations phase of the Project using the economy.id Economic Impact Model. This model is commonly used in the local government sector to quantify the expected economic impact of projects and demonstrate the impact of increases in economic activity in one sector can influence economic activity in other sectors.</td>
</tr>
<tr>
<td>Impact on businesses in the proximity</td>
<td>Regional Sport Hub Business Case</td>
<td>Impact on businesses in the proximity has not been quantified however given the location of the Project, they are not expected to be significant.</td>
</tr>
<tr>
<td>Fair competition</td>
<td>Regional Sport Hub Business Case</td>
<td>The activities planned to be undertaken at the Regional Hub are not commercial in nature and the principles of fair competition are not relevant.</td>
</tr>
</tbody>
</table>

Findings:
Requirements of Section 48 (2) (c) have been substantially met.
MBDC has quantified the expected economic impact of the Project on the local and national economy using the economy.id Economic Impact Model.
MBDC has not assessed the impact of the Project on businesses carried on in the proximity. However, given the location of the Project, businesses in the proximity should not be negatively impacted by the construction phase.
The Project is a construction and infrastructure upgrade and there is no proposal for MBDC to undertake a Significant Business Activity as defined under National Competition Policy. Therefore there are no issues identified which relate to Fair Competition.
2.4 Level of Consultation

Section 48 (2) (d)
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

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of consultation</td>
<td>Community Consultation Policy</td>
<td>‘High - Involve’ level of consultation was undertaken by MBDC which is consistent with the Policy and appropriate given the nature of the Project. A Community Reference Group has been established to provide ideas on how the Hub might be used for greater community use</td>
</tr>
<tr>
<td></td>
<td>Local Government Act 1999</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional Sports Hub Community Engagement Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional Sports Hub Stakeholder Engagement Report</td>
<td></td>
</tr>
<tr>
<td>Level of community influence to</td>
<td>Regional Sports Hub Stakeholder Engagement Report</td>
<td>Community engagement identified 12 ‘Framing Principles’. Feedback from stakeholders confirmed the validity of these principles. The community has had the opportunity to contribute to and influence the Project.</td>
</tr>
<tr>
<td>the Project</td>
<td>Regional Sports Hub Stakeholder Engagement Report</td>
<td></td>
</tr>
</tbody>
</table>

Findings:
Requirements of Section 48 (2) (d) have been met.
A detailed consultation process has been undertaken which meets the requirements of MBDC’s Community Consultation Policy and the Local Government Act.
2.5 Revenue, Revenue Projections and Potential Financial Risks

Section 48 (2) (e) if the project is intended to produce revenue, revenue projections and potential financial risks

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue projections</td>
<td>Regional Sport Hub Business Case</td>
<td>The Project is expected to be produce some revenue from the hiring out of sporting facilities and clubrooms to clubs and sporting associations who are users of the facilities. This revenue has been modelled to commence in FY2021.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The main oval (football and cricket) is assumed to produce $44,712 of income in the first year of operation based on a daily hire rate of $245 and 50% utilisation. The two soccer pitches are forecast to produce $20k of revenue in year one (assuming the FFSA manage the maintenance requirements).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreements with sporting clubs and associations have yet to be finalised therefore there is some risk that the revenue projections will not be achieved in their entirety.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>As an upgrade to sporting / community infrastructure, revenue production is not a key driver of Project progression.</td>
</tr>
<tr>
<td>Potential financial risks</td>
<td>Project Risk Register (most recent version dated 28 February 2019)</td>
<td>A Project Risk Register has been prepared and updated in accordance with MBDC’s Risk Management Framework. A total of 18 financial risks have been identified, three have been closed out at the time of the review with 15 remaining open.</td>
</tr>
</tbody>
</table>

Findings:
Requirements of Section 48 (2) (e) have been met.

The Business Case has identified the limited sources of revenue that are expected to be derived from undertaking the Project in the financial modelling. Negotiations are still in progress between MBDC and the key users of the infrastructure (such as FFSA) in relation hire/annual charges. Revenue projections will not be certain until these agreements are finalised.

The level of risk assessment work shown in the various iterations of the risk register demonstrates that financial risk has been considered throughout the various stages of the Project lifecycle.

The major financial risk in relation to the Project is the ability to deliver the Project, as currently scoped, within the existing budget provisions. A series of mitigation actions, including a specific report on cost management strategies has been prepared by the Project team to manage these risks.
## 2.6 Recurrent and Whole of Life Costs

**Section 48 (2) (f)**

the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent costs</td>
<td>Regional Sport Hub Business Case and associated financial model.</td>
<td>Financial modelling has been undertaken to consider the impact that the Project will have on MBDC’s LTFP. Recurrent costs including insurance, utilities, security, governance fees as well as maintenance and depreciation have been identified and forecast out over the LTFP period.</td>
</tr>
<tr>
<td>Whole of life costs</td>
<td>Regional Sport Hub Business Case and associated financial model.</td>
<td>The modelling of recurrent costs and revenues in Addendum One to the Business Case only considers the first seven years of Project life (post construction). Some of the Project assets would be expected to have useful lives in excess of 50 years. Asset full life cost modelling for depreciation and maintenance was prepared in the original Business Case (December 2017) based on the capital and operating assumptions available at that time (approximately 25% less than the current Project Budget for Stage 1). An updated Whole of Life Cost assessment should be prepared based on the most recent capital cost estimates for the Project.</td>
</tr>
<tr>
<td>Financial arrangements</td>
<td>Regional Sport Hub Business Case</td>
<td>The proposed financial arrangements are well documented in the Business Case and MBDC has identified a potential funding shortfall in the Project based on the 100% design cost estimates. A report has been prepared which identified the potential strategies that can reduce the potential funding shortfall should construction tenders come back above the existing budget provision.</td>
</tr>
</tbody>
</table>

**Findings:**

Requirements of Section 48 (2) (f) have been partially met.

MBDC has prepared a financial model to support the Project which considers both revenue projections and operating costs through to 2027. However, a whole of life cost estimate, as is prescribed under Subsection (f), has not been considered since the original Business Case dated December 2017. MBDC should ensure that the Elected Members understand the whole of life cost impact that progressing the Project will have on Council, including responsibility allocation for providing for future asset renewals of some Project components (such as synthetic soccer pitches).

The proposed financial arrangements for the Project are well documented in the Business Case and the MBDC LTFP contains provisions to fund the forecast recurrent costs and Council’s identified $8 million capital contribution to the Project.
2.7 Financial Viability

Section 48 (2) (g)
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

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial viability</td>
<td>Regional Sport Hub Business Case</td>
<td>The Project is expected to operate at a loss including depreciation of $486k in Year One of operations which increases to a loss of $516k by the end of the LTFP period.</td>
</tr>
<tr>
<td></td>
<td>Long Term Financial Plan</td>
<td>The operating cost provisions for the Project in the LTFP are greater than the Business Case project forecasts by $1.16 million over the ten year period ($0.821 million of this variance is due to delays in the Project and the deferral of operating expenditure).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>This operating cost and revenue model is based on a number of assumptions, many of which have not yet been contractually agreed between the MBDC and the proposed users of the precinct.</td>
</tr>
</tbody>
</table>

Findings:
Requirements of Section 48 (2) (g) have been met.
The Business Case identifies that the Project is not financially viable (i.e. its forecast revenues do not cover the forecast operating costs associated with the Project). However, as an upgrade to community recreation assets, financial viability should not be seen as a requirement to support project Progression. Sufficient provisions have been included in the MBDC LTFP for both the capital budget and forecast operating costs relating to the Project.
2.8  Risk Management

Section 48 (2) (h)
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)

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk assessment</td>
<td>Risk Management Framework (September 2017)</td>
<td>A detailed Project Risk Register has been prepared. Evidence of regular updates to the risk register by the Project team has been provided in accordance with MBDC’s Risk Management Framework.</td>
</tr>
<tr>
<td></td>
<td>Project Risk Register dated 3 September 2018</td>
<td></td>
</tr>
<tr>
<td>Risk mitigation</td>
<td>Project Risk Register (most recent version dated 28 February 2019)</td>
<td>Risk mitigation strategies have been identified for all key Project risks and a residual risk level determined. Evidence has been provided to support the active implementation of risk mitigation strategies to manage key Project risks to date.</td>
</tr>
</tbody>
</table>

Findings:
Requirements of Section 48 (2) (h) **have been met.**
In the preparation of a Project Risk Register, in providing a number of risk updates to executive leadership team in the Corporate Governance Group (CGG) Monthly Report and in closing Project risks that are no longer applicable or have been successfully mitigated, MBDC has demonstrated a proactive approach to Project risk management consistent with the requirements of Section 48 and MBDC’s Risk Management Framework.
## Project Delivery

**Section 48 (2) (i)**  
*the most appropriate mechanisms or arrangements for carrying out the project*

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
</table>
| Project Delivery | Mount Barker Regional Sports Hub Project Plan v1.4     | MBDC have prepared a detailed Project Plan for Stage 1 works which demonstrates that mechanisms are in place to carry out the Project. The Project Plan considers:  
- the management of budgets constraints;  
- governance protocols;  
- risk management;  
- communications and stakeholder management;  
- quality management; and  
- procurement.                                                                                                                                                                                                                           |
| Procurement     | Mount Barker Regional Sports Hub Project Plan v1.4     | Section 10 of the Project Plan relates to the proposed procurement activities that will be undertaken. The plan confirms that the major construction program will be sourced through a request for tender with other services to be procured in accordance with MBDC’s Procurement Policy.  
At the time of writing, MBDC are preparing to undertake the construction tender call.  
Due to the high profile nature of the Project, an external probity auditor has also been appointed to oversee key construction procurement processes.                                                                                   |

**Findings:**  
Requirements of Section 48 (2) (i) **have been met.**  
The Project Plan prepared in relation to the Project demonstrates that appropriate mechanisms are in place to carry out the Project.
### 2.10 Sale or Disposition of Land

**Section 48 (2)**

(j) *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*

<table>
<thead>
<tr>
<th>Elements</th>
<th>Relevant Documents</th>
<th>Prudential Reviewer comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of land</td>
<td>None</td>
<td>The Project does not involve the sale or disposition of land. MBDC has earmarked the potential for the sale of future ‘development sites’ around the fringes of the Hub however any potential proceeds from the sale of these sites are not part of the funding strategy for the Project.</td>
</tr>
</tbody>
</table>

**Findings:**

Requirements of Section 48 (2) (i) are not applicable to this Project.
ATTACHMENT ONE: PROJECT SITE PLANS

[Immediate context plan and project site plans diagram]
ATTACHMENT TWO: LOCAL GOVERNMENT ACT, 1999 – SECTION 48

Section 48 – Prudential requirements for certain activities

(aa1) 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.

(a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.

(1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—

(b) 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)—

(i) where the expected operating expenses calculated on an accrual basis 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); or

(ii) where the expected capital cost of the project over the ensuing five years is likely to exceed $400 000 (indexed); or

(iii) where the council considers that it is necessary or appropriate.

(2) The following are prudential issues for the purposes of subsection (1):

(a) the relationship between the project and relevant strategic management plans;
(b) the objectives of the Development Plan in the area where the project is to occur;
(c) 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;
(d) 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;
(e) if the project is intended to produce revenue, revenue projections and potential financial risks;
(f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
(g) 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;
(h) 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);
(i) the most appropriate mechanisms or arrangements for carrying out the project;
(j) 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.

(3) A report is not required under subsection (1) in relation to—

(a) road construction or maintenance; or
(b) drainage works.

(4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).

A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).

A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).

However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).

For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.

A person is closely associated with another person (the relevant person)—

(a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or

(b) if that person is a proprietary company in which the relevant person is a shareholder; or

(c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or

(d) if that person is a partner of the relevant person; or

(e) if that person is the employer or an employee of the relevant person; or

(f) if that person is a relative of the relevant person.

However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—

(a) by virtue only of the fact that the person—

(i) is a ratepayer, elector or resident in the area of the council; or

(ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation; or

(b) in a prescribed circumstance.

In this section, $4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.

In this section—

employee of a council includes a person working for the council on a temporary basis;

non-profit association means a body (whether corporate or unincorporate)—

(a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and

(b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.

The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.