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## 1. PREAMBLE

### 1.1 Background

Prudential Management may be described as taking a precautionary approach to proposed projects. A key outcome of prudential management is public value, or providing local government services in a manner that delivers a community benefit. In any prudential decision it is necessary to balance the value of the community outcome against the cost of achieving those outcomes.

This policy is made pursuant to section 48(aa1) of *the Local Government Act 1999 (the Act)*, which provides that Council must develop and maintain 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.

### 1.2 Purpose

The Prudential Management policy ensures that decision making in respect of any project is made with reliable, accurate and timely information. This policy seeks to enhance Council's existing policies governing Council's strategic management processes.

### 1.3 Scope

Under section 48(1)(b) of the Act, there are specific prudential review requirements for projects that meet the following criteria where:

- (i) 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 operating expenses over the previous five financial years (as shown in Council's financial statements); or
- (ii) the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million (indexed); or
- (iii) the Council considers that it is necessary or appropriate.

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Section 48(6)(d) states \$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.

Section 48(3) states this policy does not apply to road construction or maintenance or drainage works.

If a project is to be undertaken in stages this does not limit the operation of the provisions in section 48(1)(b) in relation to the project as a whole.

## 1.4 Definitions

Project may include a new or discrete undertaking or activity that would involve the expenditure of money, deployment of resources.

Due diligence means the conduct of a systematic review of assumptions, risks and financial projections, prior to entering into any transaction, agreement or partnership.

## 1.5 Strategic Reference

Culture: Being financially accountable

Culture: Supporting excellent, efficient operations

## 2. PRINCIPLES

### 2.1 Prudential Report

Projects falling within the scope of this policy require a Prudential Report to be prepared and the following criteria will be applied.

Any report prepared must be considered by Council and cannot be delegated to another committee or person (although it may be considered by another committee or person).

### 2.2 Prudential Report Author

Council will engage a suitably qualified independent person (whom the Council reasonably believes to be qualified to address prudential issues) to undertake a Prudential Report in accordance with this policy.

This may be completed by any person, who does not have an interest in the proposed project, who should be skilled in the assessment of the project being undertaken (and may be an employee of Council, including temporary contractors). Skills held may include engineering, finance, infrastructure, project management, town planning skills. Council's external auditor cannot be engaged but a different auditor could be.

Expertise required may range from a single staff member (for the smallest projects with least risk), to a working party of staff and external specialists with expertise in certain areas (for more complicated and/or riskier projects).

Adequate resources will be allocated to the prudential management of projects and staff will be appropriately trained.

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A person has an interest in a project if the person or a person who 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 who is closely associated with another person is defined in section 48(6)(b) of the Act. A person who will not be considered as closely associated with another person is defined in section 48(6)(c) of the Act.

### 2.3 Prudential Report Content

In accordance with section 48(2) of the Act, a Prudential Report must address the following prudential issues:

- (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.

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- 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*.

## 2.4 Timing of the Prudential Report

The author will prepare a Prudential Report in accordance with this policy and the Act for consideration of Council prior to the project commencement.

## 2.5 Public Access of the Prudential Report

The Prudential Report will form part of the Council Agenda papers and will be a public document unless it been determined otherwise by the Council in accordance with section 90 of the Act. Council may determine to prevent specific information from being publicly available to protect its commercial value or to avoid disclosing financial affairs of a person.

## 3. REFERENCES

### 3.1 Legislation

- *Local Government Act 1999*
- *Land Valuers Act 1994*

### 3.2 Other References

- LGA Prudential Management Information Paper 27- Revised December 2019
- Procurement Policy
- Prudential Management Procedure
- Risk Management Policy