	<b>Function:</b> CORPORATE AND COMMUNITY SERVICES (FINANCIAL MANAGEMENT)	Adopted: 22 <sup>nd</sup> January 2014 Resolution No.: C8:14
	<b>Policy Number:</b> FIN007	Last Review: 3 <sup>rd</sup> May 2023 Resolution No.: C178:0623
	<b>Version Number:</b> 10	Next Review: April 2027
<b>PRUDENTIAL MANAGEMENT POLICY</b>		

## **POLICY STATEMENT**

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 is it necessary to balance the value of the community outcome against the cost of achieving those outcomes.

Copper Coast Council (Council) has develop the Prudential Management Policy (Policy) pursuant to Section 48(aa1) of the Local Government Act 1999, that requires a Council to 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. Introduction**

- 1.1. The Policy ensures that decision making in respect of any project is made with reliable, accurate and timely information and only undertaken after an appropriate level of due diligence is applied and evaluated on completion.
- 1.2. This Policy seeks to enhance existing policies governing Council’s strategic management processes.

### **2. Scope**

- 2.1. The contents of this Policy relate to financial issues arising from Council ‘projects’ hence using the term ‘prudential management’ to refer to the management of these particular risks.
- 2.2. However, as not all risks associated with projects relate to financial risks, Council will apply Council’s Risk Management Framework and Policy for the overall management of Council projects.
- 2.3. Adequate resources will be allocated to the prudential management of projects and staff will be appropriately trained.
- 2.4. All projects should be considered in the context of not only this Policy, but also Council’s Risk Management Plan.

### **3. Applicable Legislation**

- 3.1. The following legalisation applies to this Policy:
  - Local Government Act 1999.
- 3.2. This Policy is a mandatory requirement and essential for good governance.

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#### 4. Integration with Corporate Objectives

##### 4.1. This Policy supports Council's Strategic Plan 2019 - 2029

Governance Objective – Leadership

Goal 5 - To provide leadership and ensure resources are managed efficiently and effectively.

- 5.2 Finance – To have open accurate and effective financial management.
- 5.3 Legislation – To adhere to the requirements of the Local Government Act 1999, regulations and other legislation that influences the operations of Council.

#### 5. Related Council Policies and Documents

##### 5.1. This Policy is also designed operate in conjunction with other policies, including:

- Risk Management Policy
- Procurement Policy
- Internal Control Policy

#### 6. Definitions

For the purposes of this Policy, the following definitions apply:

6.1. **Authorised Officer** is defined as an Authorised person delegated authority under Section 44 of the Local Government Act 1999.

6.2. **Chief Executive Officer (CEO)** means the appointed Chief Executive Officer under Section 96 of the Local Government Act 1999 and includes any person acting or delegated by the Chief Executive Officer's under Sections 100 and 101 of the Local Government Act 1999.

6.3. **Commercial Project** – a project is usually undertaken to meet unique goals and objectives and has a defined timeframe which can be constrained by funding. A project that is commercial in nature will be delivered with a focus on profit and loss whether together with an independent business partner/tenant or managed by Council.

6.4. **Council** means the Copper Coast Council and any delegate of the Council.

6.5. **Decision-maker** - the Elected Council or where delegated, the Chief Executive Officer and their sub delegates.

6.6. **Drainage** - includes, stormwater and wastewater drainage pipes, storage tanks and lagoons, pumps, treatment facilities and irrigation networks.

6.7. **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'.

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

Simply purchasing an item of plant or equipment, (eg a single vehicle) or a parcel of land will constitute a 'project' if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council's Procurement Policy. However, a 'project' will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land.

- 6.8. **Public Officer** means a member, employee, volunteer or, contractor authorised to perform work on behalf of Council.
- 6.9. **Roads** – includes all works completed within a road reserve including, footpaths, street furniture, kerbing, sub-surface works and pavement.

## 7. Application

### 7.1. Due Diligence Before A Project

- 7.1.1. Any proposed project must first be assessed as to the level of due diligence that is required.
- 7.1.2. The Council's delegation register lists the powers that the Council has delegated to the Chief Executive Officer and/or other managers, including the power (depending upon budgetary allocations and other Council policies) to approve some projects. The record of delegations may distinguish types of projects that a specific manager is permitted to approve.
- 7.1.3. Therefore, for a particular proposed project, (depending on the record of delegations) the decision maker may be the Council, the Chief Executive Officer, Director or a Supervisor.
- 7.1.4. When approval is being sought or considered for a specific proposed project, information must be provided to the decision maker to indicate approximately, at first instance:
- The specific benefits or needs to be addressed by the proposed project;
  - The extent to which the proposed project may be substantially similar to other past projects;
  - The expected ongoing costs of the proposed project; and
  - What, if anything, is known about the levels of financial risk that may be involved.

### 7.2. Two threshold questions

- 7.2.1. The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.
- 7.2.2. As a first step, the decision maker must ascertain:
- Whether funding of the ongoing costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's Long Term Financial Plan; and
  - Whether the proposed project will (or might) generate any additional financial risk for the Council.
- 7.2.3. Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision maker is sure that whole of life costs and financial risks are already accounted for, then no further action is necessary. However, in some cases a Prudential Report is still required.

### 7.3. Prudential Report

- 7.3.1. For large commercial or non-commercial projects, Section 48 (1) of the *Local Government Act 1999* requires that a full prudential report be prepared for Council. A report under Section 48 of the *Local Government Act 1999* will be regarded as the highest level, most thorough type of Due Diligence Report for the purposes of this Policy.

7.3.2. The *Local Government Act 1999* requires that a report must be developed where the expected expenditure of the Council over the ensuing five (5) years is likely to exceed 20 per cent of the Council's average annual operating expenses over the previous five (5) financial years (as shown in the Council's Financial Statements); or where the expected capital costs of the project over the ensuing five (5) years is likely to exceed \$4,000,000 (indexed) see Section 48(6d) of the *Local Government Act 1999*.

7.3.3. A full prudential report may also be commissioned under Section 48 of the *Local Government Act 1999*, for 'any other project for which the Council considers that it is necessary or appropriate'.

7.3.4. A report is not required in relation to road construction or maintenance or drainage works. For the purpose of this Policy the terms road and drainage are defined in the definition section of this Policy.

#### 7.4. Due Diligence During A Project

7.4.1. After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

7.4.2. The 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; and
- Financial risks identified in the Due Diligence Report are managed appropriately.

#### 7.5. Due Diligence After A Project

7.5.1. After a project has been completed, it should 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; and
- Has avoided or mitigated the financial risks identified in the Due Diligence Report.

7.5.2. Prudential management, like risk management, is an important element of good governance in Local Government. Local Government is a large manager of community assets and community projects. The manner in which these are proposed, considered, executed and managed is a reflection of the Council's good governance.

7.5.3. This Policy imposes a standard of governance that encompasses effective prudential management, and proper consideration of the impact of decisions, well before the project is offered to Council for decision.

### 8. Complaints

8.1. Complaints under this Policy must be in writing to the Chief Executive Officer and lodged in accordance with Council's Complaints Policy.

8.2. In the case of a complaint against the Chief Executive Officer, complaints must be in writing to the Mayor and will require evidence to support the allegation(s).

### 9. Council Delegation

9.1. Pursuant to Section 44 of the *Local Government Act 1999*, Council delegates to the Chief Executive Officer authority to administer Council's policies.

9.2. In terms of this Policy, the Chief Executive Officer may sub delegate to an employee of Council which is required to be made public and is available on Council’s website [www.coppercoast.sa.gov.au](http://www.coppercoast.sa.gov.au).

**10. Adoption and Review**

10.1. This Policy shall be reviewed every four (4) years, or more frequently, if legislation or Council requires by the Department of Corporate and Community Services and a report shall provide to Council for consideration and adoption.

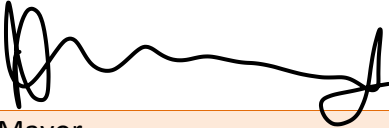

**11. Records Management**

11.1. Official records will be managed in accordance with Councils Records Management Policy pursuant to Section 125 of the Local Government Act 1999.

**12. Availability of Policy**

12.1. Policies will be available for inspection without charge at Council’s Principal Office and on Council’s website [www.coppercoast.sa.gov.au](http://www.coppercoast.sa.gov.au).

12.2. A copy of this Policy may be obtained on payment of a fee in accordance with Councils’ Schedule of Fees and Charges.

Signed		
	Mayor	Chief Executive Officer
Date	14th June 2023	