

 Wattle Range COUNCIL	POLICY	Version:	5
	Prudential Management	Date Adopted:	11 Mar 2025
		Next Review Due:	11 Mar 2029

1. STATEMENT

Section 48(aa1) of the *Local Government Act 1999* (the Act) requires Council to 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
- b) identifies and manages risks associated with a project
- c) makes informed decisions
- d) is accountable for the use of Council and other public resources.

2. DEFINITIONS

Due Diligence - the conduct of a systematic review of a transaction. The principles of due diligence should be applied at all stages of a project, including prior to entering the transaction. It has been defined in landmark legal cases as:

“a minimum standard of behaviour involving a system which provides against contravention of relevant regulatory procedures and adequate supervision ensuring the system is carried out” and “indistinguishable from the obligation to exercise reasonable care.”

Project - means a new and discrete undertaking or activity that would involve the:

- expenditure of money, and/or
- deployment of resources, and/or
- incurring or assuming a liability, accepting an asset or divestment of an asset.

A project has a defined beginning and end. Regular, ongoing deliveries of Council services are not “projects”.

Prudential Management – considering the financial risks or adverse financial consequences of a project, and minimising or offsetting them to ensure that the proposed benefits of the project are achieved.

Prudential Management Review Report (PMRR) – a report required to be obtained to address prudential issues of a project before Council engages in any project prescribed under section 48(1) of the Act.

Whole-of-Life Costs – are the total costs of owning an asset over its entire life such as design and building costs, operating costs, associated financing costs, depreciation, and disposal costs. Whole-of-life costs also include environmental impact and social costs.

3. PRINCIPLES

3.1 Policy objective

This policy provides guidance to Council in respect to the appropriate due diligence and prudential management required for certain projects. In addition, this policy provides guidance as to when and what type of project of Council will require the production of a PMRR and by whom.

CD:	File Ref:	Classification:	Department:	Position Responsible:	Review Frequency:
170	GF/ 7.63.1	Public	Corporate Services	Chief Executive Officer	4 yearly
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3.2 Triggers for production of a PMRR

Production of a PMRR will be required before engaging in a project, if a project meets one of the following requirements:

- where calculated on accrual basis, the expected operating expenditure of the project 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 based on Adelaide CPI September 2009 divided by the September Adelaide CPI directly preceding the date of the project);¹ or
- where the Council considers that it is necessary or appropriate to complete a report.

3.3 Projects exempt from production of a PMRR

In accordance with section 48(3) of the Act, this policy does not apply to

- road construction or maintenance; or
- drainage works.

3.4 Prudential issues considered in the PMRR

Prudential issues that should be considered within a PMRR include:

- the relationship between the project and relevant strategic management plans
- the objectives of the Development Plan in the area where the project is to occur
- 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
- 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
- if the project is intended to produce revenue, revenue projections and potential financial risks
- the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements
- the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of Council
- 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 Council)

¹ Section 48(6d) provides for the indexation of this threshold amount, in line with the Consumer Price Index for Adelaide. From the 1st January 2025, the figure is adjusted to \$6 million (as calculated from the 2009 and 2024 September quarters).

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- 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.

3.5 Preparation of a PMRR

Preparation of the report should be undertaken by a person who:

- a) Council reasonably believes is qualified to address the prudential issues, and
- b) does not have an interest in the relevant project (but may be prepared by a person who is an employee of Council).

3.6 PMRR required to consider project as a whole for projects undertaken in stages

In accordance with section 48(2a) of the Act, projects undertaken in stages require the PMRR to consider prudential issues in relation to the project as a whole.

3.7 Consideration of the PMRR

The completed PMRR should be tabled to Council for its consideration. Council should give due regard to the PMRR before determining to proceed or not with a project.

3.8 Public access of the PMRR

The PMRR 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.

3.9 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 PMRR
- financial risks identified in the PMRR are managed appropriately.

3.10 Due diligence after a project

After a substantial 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 PMRR that it was intended to achieve or satisfy
- has avoided or mitigated the financial risks identified in the PMRR.

The subsequent report will be provided to Council's Audit and Risk Committee and Council.

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4. REVIEW

This policy will be reviewed every four years, in consultation with ELT, all staff, the Audit and Risk Committee and Council.

5. AVAILABILITY

This policy is publicly available on the Council website: www.wattlerange.sa.gov.au.

A printed copy of this policy may be obtained from the Principal Council Office upon payment of the relevant prescribed fee in accordance with Council's Fees and Charges Schedule.

6. REFERENCES & FURTHER READING

References	• Consumer Price Index for Adelaide
Relevant Legislation:	• <i>Local Government Act 1999</i> – Sections 48(1) and 48(aa1)
Relevant Policies / Procedures / Guidelines	• LGA Financial Sustainability Information Paper 27 – Prudential Management • Procurement Policy • Risk Management Policy

7. ADOPTION & AMENDMENT HISTORY

The table below sets out the adoption, review and amendment history of this policy.

Version No:	Issue Date:	Authorised by:	Description of Change:	Minutes Reference:
1	10 April 1012	Council	Adopted	Folio 4744; Item 10.1
2	10 September 2013	Council	Reviewed and Amended	Folio 5231; Item 11.2.8
3	10 November 2015	Council	Reviewed	Folio 6157; Item 13.2.11
4	21 January 2020	Council	Adapted into new format & minor changes	Folio 8922; Item 15.2.2
5	11 March 2025	Council	Reviewed and amended	Folio 11178; Item 15.2.5

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