

## COUNCIL POLICY

Reference Number	809592
Responsible Business Unit	Corporate Services
Responsible Officer	General Manager Corporate Services
Legislation	Local Government Act 1999 Section 48 – Prudential requirements for certain activities
Relevant Delegations	Chief Executive Officer
Related Policies Management Guidelines Frameworks	Prudential Management Management Guideline Good Public Administration Framework Risk Management Framework Project Management Framework Business Case Proposal Form Project Bid Process Long Term Financial Plan
Link to Strategic Plan	Objective 5.1 - Effective
Council resolution	141.3
Date Adopted	13 August 2018
Review Date	June 2020
Previous Revisions	Item 138.1 – 11 July 2016 Item 272.3 – 5 November 2012

## POLICY STATEMENT

This document sets out the requirements of the Rural City of Murray Bridge ("Council") for prudential management of projects where applicable.

The Council will ensure that it:

- (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, throughout its prudential management practices and procedures for certain activities.

## OBJECTIVES

The objectives of this policy is to ensure compliance with the Council legislative requirements and to ensure the Council prudential management practices and procedures are complied with for certain activities.

## SCOPE

This policy applies to activities where the Council (or its subsidiaries) engage 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% 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 cost of the project over the ensuing five years is likely to exceed \$4 million (indexed from September 2009); or
- (iii) where the Council considers that it is necessary or appropriate.

This policy is not intended to apply to activities in relation to:

- (a) road construction or maintenance programs;
- (b) drainage works; or
- (c) business as usual (or operations) which are repetitive, ongoing functional activities to provide services

Note: the fact that a project is to be undertaken in stages does not limit the operation of this policy in relation to the project as a whole.

## PRINCIPLES

Prudential management may be described as taking a precautionary approach to proposed projects. Prudential management attempts to foresee what adverse financial consequences might arise from any project that a Council is contemplating and requires managing the project in such a manner as to capture the proposed benefits, while minimising, offsetting or otherwise taking account of the foreseeable risks.

Where the Council is undertaking an activity for which this policy is intended to apply, the Council must obtain and consider a report, prepared by a suitably qualified independent person in accordance with Section 48(4) of the Local Government Act 1999, that addresses the prudential issues of the activity as defined in the Prudential Management Management Guideline.

Effective due diligence will be considered to have occurred where Council has satisfied itself to how compliance, public interest benefits or needs and financial risks associated with the project have been considered in the prudential report (before, during and after completion of the project).

The prudential report must be made available for public inspection once the Council has made a decision on the relevant project. However, the 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.

The report must not be produced by a person who has an interest in the project as defined in Section 48(6)(a-c) of the Local Government Act 1999.

The Council must give reasonable consideration to a report prepared under this policy and must not delegate the requirement to do so.

## IMPLEMENTATION

Except where information needs to be protected under Section 48(6) of the Local Government Act 1999, adopted prudential reports will be available at the Council office and on Council's website ([www.murraybridge.sa.gov.au](http://www.murraybridge.sa.gov.au)) for inspection by members of the public within five working days of the Council meeting at which the report was adopted.

## DEFINITION

### **Due Diligence**

is an expression used to describe the conduct of a systematic review of a transaction, 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 Management Framework**

is the document that outlines the framework and process by which projects will be created, approved, managed and evaluated.

### **Project**

a project is 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". 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.