

TITLE:	Prudential Project Management Policy		
DIVISION:			
ADOPTED BY:	Council		
DATE OF ADOPTION:	March 20, 2014	DATE OF REVIEW:	March 2018
MOTION NUMBER:	41/14		
POLICY NUMBER:	CP000027		
AUTHORISED:	Chief Executive Officer		

THIS POLICY APPLIES TO:

All employees and Elected Members of the Barkly Regional Council

PREAMBLE

The aim of all policy is for Councillors to provide strategic input into the effective operational framework of the organisation under S.11 of the Local Government Act

SUMMARY

The objective of this Policy is to ensure that each Council project (that is a new and discrete undertaking or activity with a defined beginning and end) is only undertaken after an appropriate level of due diligence has been applied. The preparation of *due diligence* reports, and, if warranted, *prudential* reports are required. The policy also requires that projects are managed, and upon completion, evaluated to ensure that the proposed public benefit has been achieved and financial risk minimised.

OBJECTIVES

The objective of this Policy is to ensure that each Council project is only undertaken after an appropriate level of due diligence has been applied to the proposed project with a view to risk minimisation and achieving best use of Council resources.

BACKGROUND

Increasingly good practice requires due diligence to be undertaken before a commitment is made to undertake a significant project with a view to minimising risk and ensuring that the Council is able to make informed decisions based upon adequate information. In some jurisdictions, for example South Australia, this is a legislative requirement. As part of the Council's commitment to the highest achievable standard of governance the Council proposes to adopt a due diligence approach when undertaking major projects.

POLICY STATEMENT

A project is a new and discrete undertaking or activity with a defined beginning and end. The temporary nature of projects stands in contrast to ongoing Council operations.

The objective of this Policy is to ensure that each Council project is only undertaken after an appropriate level of due diligence has been applied to the proposed project, and that projects are managed, and upon completion, evaluated to ensure that the proposed public benefit has been achieved and financial risk minimised. The Policy applies to all Council projects regardless of size. It aims to ensure that the Council:

- Acts with due care, diligence and foresight;
- Identifies and manages risks associated with a project;
- Makes informed decisions based upon reliable, accurate and timely information; and
- Is properly accountable for the use of Council and other public resources.

When approval is requested for a specific proposed project the following information must be provided to the Council:

- The specific benefits or needs to be addressed by the proposed project;
- The expected whole-of-life costs of the proposed project; and
- The level of financial risk involved.

The Council must determine whether:

- Funding of the whole-of-life costs of the proposed project may require additional allocations beyond those already accommodated in Council's long-term financial plan;
- The proposed project may generate any additional financial risk for the Council.

Where the whole-of-life costs and the financial risks have been accounted for, no further action is necessary. However, where this is not the case, a *due diligence report* must be prepared.

Due Diligence Report

This due diligence report will include, in relation to the proposed project:

- An analysis of the need or demand;
- Identification and quantification of the expected financial and other benefits;
- Identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- Assessment of the associated financial risks (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways that risk can be managed and/or mitigated; and
- An evaluation that weighs up all of the factors above.

Prudential Report

Where the Council intends to 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) and the expected expenditure by the council on the project 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, or, where the expected capital cost of the project over the ensuing five years is likely to exceed \$2 million (indexed), and in any other case where

the Council considers it appropriate a full *prudential report* must be prepared for Council consideration by an independent, external party.

The following are issues are to be considered in a prudential report:

- (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.

A prudential report must be prepared by a person whom the council reasonably believes to be qualified to address issues set out above.

The fact that a project is to be undertaken in stages does not limit the requirement for a prudential report on the project as a whole.

A prudential report is not required in relation to road construction or maintenance, or drainage works.

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 to ensure that the project remains focussed upon the expected public benefits or needs that have been identified in the due diligence report and that financial risks identified in the due diligence report are managed appropriately.

Due Diligence after a Project

After a 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 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.

Access to Information

Except where information needs to be protected to protect commercial in confidence information adopted *due diligence* and *prudential* reports will be available at the Council office and on Council's website for inspection by members of the public within 5 working days of the Council meeting at which the report is adopted.

LEGISLATION, TERMINOLOGY AND REFERENCES

Section 13(f) of the Local Government Act provides that one of a Council's objectives is to 'seek to ensure that council resources are used fairly, effectively and efficiently'.

Council Strategy 3.1 provides that one of the Council's goals is to have a cohesive organisation that strives to achieve best practice and standards in all operational matters.

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. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to ongoing Council operations.

IMPLEMENTATION AND DELEGATION

In accordance with this policy the CEO has delegated authority to prepare *due diligence* reports and to engage an external party to prepare a *prudential* report where this is necessary.

EVALUATION AND REVIEW

This Policy is to be reviewed every four (4) years, and may be reviewed at other times at the discretion of Chief Executive Officer.

This Policy should be evaluated by identifying projects undertaken since the last review and examining compliance.