Prudential Management Policy

Strategic Reference	Objective 5; Leadership Strategy 3.5; Council reports openly and transparently on its performance.
File reference	AR21/5195
Responsibility	Office of Chief Executive Officer
Revision Number	6
Effective date	18 December 2012
Last revised date	November 2025
Minute reference	332/25, 073/21, 210/18, 046/17, 081/15, 450/12
Next review date	November 2028
Applicable Legislation	Local Government Act 1999 Work Health and Safety Regulations 2012 (SA)
Related Policies	Procurement Policy Internal Control Manual Risk Management Policy
Related Documents	Long Term Financial Plan

1. Purpose

This policy has two objectives:

i. To ensure that a Council project is undertaken only after an appropriate level of "due diligence" is applied to the proposed project; and

ii. To ensure that each Council project is:

- Managed during the project;
- Evaluated after the project, to achieve identified public benefits or needs; and
- To minimise financial risks.

This document sets out Council's policy for prudential management of projects.

For large projects, commercial or non-commercial, section 48(1) of the Act requires that a full prudential report be prepared for Council. A report under section 48 will be regarded as the highest-level, most thorough type of due diligence report (DDR) for the purposes of this policy.[1]

Section 48(aa1) of the Local Government Act requires Council to also 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.

As such, this Policy applies to all Council projects (as defined below), no matter how large or small, to ensure that decisions are taken based on reliable, accurate and timely information. All projects should be considered in the context of not only this policy, but also Council's Risk Management Plan and Policy.

2. Policy Objectives

The objective of this policy is to ensure that Council projects:

- achieve identified public benefits and/or needs and
- minimise financial risks

by:

- making a decision to proceed only after an appropriate level of due diligence has been applied;
- appropriate management of the project; and
- evaluation after the project.

The objectives of this Policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.

3. Definitions

For the purposes of this policy:

"Due Diligence" – describes the conduct of a systematic review of a transaction, prior to entering the transaction and an obligation to exercise reasonable care.

"Large Project" – describes a project that is not defined by a single dollar amount, rather, a combination of size, capital intensity, regulatory exposure and internal thresholds.

"Project" - 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 delivery of Council services are not "new and discrete" activities and therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services. For

example, purchasing an item of plant or equipment (ie. a single vehicle) or a parcel of land will constitute a "project" if the purchase is not part of a wider project or ongoing operation. Any purchase must comply with Council's Procurement Policy and Disposal of Land and Other Assets Policy.

4. Due Diligence Report (DDR)

To resolve any doubt, the decision maker must request preparation of a due diligence report (DDR).

For large commercial or non-commercial projects, Section 48(1) of the Act requires that a full prudential report be prepared for Council. A report under Section 48 will be regarded as the highest level and most thorough type of DDR for the purposes of this policy. Consideration should be given to engaging a specialised external independent consultant to prepare the DDR. This particularly applies to projects involving high risk exposure or proposing Council engage in non-core commercial activities that involve use of public monies.

A full prudential report may also be commissioned under Section 48 for "any other project for which the Council considers that it is necessary or appropriate".

The DDR will include:

- An analysis of the need or demand;
- Identification and quantification of the expected financial and other benefits;
- Identified 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 risk of not proceeding or delaying the project) and consideration of the ways they can be managed and/or mitigated;
- An evaluation that weighs up all of the factors above.

5. Due Diligence

Any proposed project must first be assessed as to the level of due diligence that is required.

Council's record of delegations lists the powers that the Council has delegated to the Chief Executive 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.

Therefore, for a particular proposed project, (depending on the record of delegations) the decision-maker may be the Council, the Chief Executive Officer, or a manager.

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;
- the extent to which it may be substantially similar to other past projects;

- the expected whole-of-life costs of the proposed project; and
- what, if anything, is known about the levels of financial risk that may be involved.

6. Two threshold questions

The decision maker will then 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.

As a first step, the decision maker must ascertain:

- whether funding of the whole-of-life 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.

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 and a record for reasons for *not* obtaining a due diligence report is required, no further action is necessary.

However, if not, the decision maker will be required to take a further step.

7. Due diligence before a decision on whether to proceed

Depending on the extent of due diligence required by the decision maker, a DDR of greater or lesser detail will be prepared. This DDR 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 they can be managed and/or mitigated;
- An evaluation that weighs up all of the factors above.

For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decision maker, with input from two or more officers.

For any project that falls in an area where there is a significant financial risk, a DDR must also include a project feasibility study, to provide a high-level consideration of the expected costs and revenues over the life of the project, using discounted cash flow analysis. One important aspect that will be considered in such a study is the reliability of these costs and revenues within these calculations, particularly if revenues are dependent on future market conditions.

A full prudential report may also be commissioned under section 48, "for any other project for which Council considers that it is necessary or appropriate". All projects (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body):

(a) where the expected expenditure of the council 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 (as shown in the Council's financial statements); or
(b) where the expected capital cost of the project over the ensuing five years is likely to exceed $4.0m (indexed)[2] require a full prudential report in accordance with the Act.

8. Availability/Accessibility

The Policy is available for inspection at Council's officers during normal business hours and Council's website and will be emailed to interested parties on request) please lodge request in writing via email to council@coorong.sa.gov.au)

9. Document History

This policy shall be reviewed at least every three (3) years or more frequently if legislation or Council requires.

Version	Adopted	Minute No	Description of change(s)
1	18 December 2012	450/12	New policy
2	21 April 2015	081/15	Cyclical review
3	21 March 2017	046/17	Cyclical review
4	16 October 2018	210/18	Cyclical review
5	20 April 2021	073/21	• Consolidation of Purpose and Scope • Removal of superfluous definitions • Consolidation of Policy Statement • New clauses: - Legislation - Deciding on an appropriate level of due diligence - Due Diligence Report provisions • Summary of the prudential management process
6	18 November 2025	332/25	• Formatting changes and some clauses re-ordered • Re-ordering of definitions

			• 'Legislation' clause removed (given it simply repeats what is specified in the Local Government Act 1999 itself) • Summary clause inserted regarding the holistic prudential management process (and where a Due Diligence report may come into effect)