

Prudential Project Management Policy

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Policy Name:	Prudential Project Management
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Responsible Officer:	General Manager Urban and Community
Relevant Legislation:	Local Government Act 1999
Related Policies:	Risk Management Policy Procurement Policy Project Management Framework

1. Introduction

- 1.1. This Prudential Project Management Policy outlines the City of Burnside's approach towards prudential project management to meet the requirements of the Local Government Act, 1999. It imposes a standard of governance that encompasses effective prudential management and proper consideration of the impact of decisions for major projects.

2. Strategic Plan Desired Outcomes

- 2.1. A financially sound Council that is accountable, responsible and sustainable.
- 2.2. Delivery of good governance in Council business.

3. Our Approach

- 3.1. Regularly review, update and adopt leading governance, risk management and administrative practices.
- 3.2. Ensure the long-term sustainability of Council by monitoring and comparing to peak body indicators.
- 3.3. Make open, transparent and informed decisions in regard to projects based on reliable, accurate and timely information.
- 3.4. Provide sufficient resources to meet current and future needs of the community.

4. Legislative Requirements and Corporate Policy Context

- 4.1. Section 48 (aa1) of the Local Government Act 1999 (as amended) (the Act) requires each council to have prudential management policies, practices and procedures which ensure that Council:

- (a) *acts with due care diligence and foresight;*
- (b) *identifies and manages risks associated with a project;*
- (c) *makes informed decisions; and*
- (d) *is accountable for the use of council and other public resources.*

5. Interpretation

- 5.1. **Project** – A project is a one-off endeavour with a defined beginning and end, undertaken to create a unique product, service or change. The one-off nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services. A project is a new and discrete temporary undertaking or activity involving the expenditure of money, deployment of resources, incurring or assuming a liability, or acceptance of 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.
- 5.2. **The Act** – Local Government Act 1999
- 5.2. **Due Diligence** – The conduct of a systematic review of a transaction, prior to entering the transaction.
- 5.3. **Prudential Report** – A Prudential Report is the formal report with specific due diligence and format requirements in accordance with Section 48 (2) of the Act.
- 5.4. **Whole-of-life costs** – An assessment of all costs associated with any project from inception, implementation, maintenance and decommissioning of assets and or services arising from a project and includes all cash, depreciation and financing considerations.

6. Policy Objectives

- 6.1. Council's objectives of this Policy are to ensure that each of Council's projects:
 - 6.1.1. are undertaken with an appropriate level of due diligence
 - 6.1.2. are managed appropriately during the project and evaluated after the project is completed in terms of the use of council and other public resources to achieve identified public benefits or needs and to minimise financial risks; and
 - 6.1.3. meet the Prudential Report requirements when consideration is being given to a project that falls within the requirements of Section 48 (1) (b) of the Act.

7. Project Management Framework

- 7.1. All Council projects will adhere to Council's Project Management Framework, which sets out the processes, governance, roles and responsibilities for project delivery at the City of Burnside.

8. Due Diligence

- 8.1. Council's Project Management Framework prescribes levels of governance, compliance, and review to be followed throughout the entire project lifecycle based the classification of a project's cost, risk, uncertainty and complexity.

9. Requirement for a Prudential Report

- 9.1. For certain large commercial or non-commercial projects (including through a subsidiary or participation in a joint venture, trust, partnership or other similar

body), Section 48(1) of the Act requires that a Prudential Report be prepared for Council.

- 9.2. Council will obtain a Prudential Report that addresses prudential issues, in relation to a proposed project:
 - 9.2.1. where the expected expenditure of Council over the ensuing five years is likely to exceed 20% of Council's average operating expenses over the previous five financial years (as shown in the Council's financial statements); or
 - 9.2.2. where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 million (indexed). Per Section 48(6d) of the Act, \$4 million (indexed) means that the amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009; or
 - 9.2.3. where Council considers appropriate.
- 9.3. The Act provides, under Section 48(3) that a Prudential Report is not required in relation to road construction or maintenance or drainage works, even when the cost of such works would exceed the expenditure levels cited above.

10. Preparer of the Prudential Report

- 10.1. Section 48(4) of the Act provides that this report must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues as required per legislation.
- 10.2. Section 48(4) of the Act also provides that the report must not be prepared by a person who has an interest in the relevant project but may be prepared by a person who is an employee of the Council.
- 10.3. The Chief Executive Officer will ensure that prudential management reporting, as outlined above, is undertaken by a suitably qualified person independent of the project.

11. Content of the Prudential Report

- 11.1. In accordance with Section 48(2) of the Act, a Prudential Report obtained for Council will address:
 - 11.1.1. the relationship between the project and relevant strategic management plans;
 - 11.1.2. the objectives of the Development Plan in the area where the project is to occur;
 - 11.1.3. 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;
 - 11.1.4. 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;
 - 11.1.5. if the project is intended to produce revenue, revenue projections and potential financial risks;

- 11.1.6. the recurrent and whole of life costs associated with the project including any costs arising out of proposed financial arrangements;
 - 11.1.7. the financial viability of the project and the short and longer term estimated net effect of the project on the financial position of Council;
 - 11.1.8. 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); and
 - 11.1.9. the most appropriate mechanisms or arrangements for carrying out the project;
 - 11.1.10. 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.
- 11.2. In addition to the requirements of the Act, the Prudential Report will also:
- 11.2.1. contain sensitivity analyses on a best case, worst case and most likely outcome assuming the parameters used;
 - 11.2.2. give consideration to the impact of the whole of life costs on Council's long-term financial position and if relevant, Council's Asset Management Plans; and
 - 11.2.3. give consideration to social and environmental factors in line with Council's strategic plans.

12. Consideration of the Prudential Report

- 12.1. In accordance with the Act, the Prudential Report will be presented to Council for consideration prior to the project commencement. This will be prior to construction at a point where sufficient reliable information is known to allow for the preparation of Prudential Report.
- 12.2. Pursuant to Section 48(5) and (6) of the Act and subject to restrictions to protect commercial confidentiality, or other people's financial affairs, the report will become a public document after Council has made a decision on the project (or earlier at the Council's discretion).

13. Availability

- 13.1. The Prudential Report 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.
- 13.2. The Policy is available to be downloaded, free of charge, from Council's website www.burnside.sa.gov.au
- 13.3. The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

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