

1. RATIONALE

The *Local Government Act 1999* (the Act) requires Councils to develop and maintain prudential management policies, practices and procedures for the assessment of Projects to ensure Councils: act with due care, diligence and foresight; identify and manage project risks; make informed decisions; and are accountable for the use of Council and other public resources.

2. POLICY STATEMENT

The City of Marion is committed to excellence in governance and a best practice approach to transparent and accountable decision making. Council ensures the prudent management of all Projects it undertakes on behalf of the City of Marion and ensures it meets its prudential requirement obligations under Section 48 of the Act when undertaking Major Projects.

3. OBJECTIVES

The primary objectives of this Policy are:

- To ensure the appropriate level of due care, diligence, risk management and foresight is applied before Council undertakes any Project.
- To ensure Council is provided with appropriate information to make informed and accountable decisions when using Council and public resources.

4. POLICY SCOPE AND IMPLEMENTATION

Scope

This Policy applies to all Projects and Major Projects undertaken by Council. The fact a Project will be undertaken in stages does not limit the operation of this Policy in relation to the Project as a whole.

In accordance with Section 48(3) of the Act, a Prudential Report is not required for road construction and maintenance and drainage works.

Implementation

4.1 Due diligence assessment

The appropriate level of due diligence is applied to each Project to ensure Council:

- acts with due care, diligence and foresight
- identifies and manages risks associated with the Project
- makes informed decisions about the Project
- is accountable for the use of Council and other public resources.

For Major Projects, the level of due diligence applied complies with the prudential requirements under the Act.

4.2 Prudential Report

A Prudential Report is prepared for all Major Projects (excluding road construction or maintenance projects or drainage works projects). The Report determines and assesses the appropriate level of due diligence applicable to the Project in accordance with prudential requirements under the Act and the steps outlined in the associated *Prudential Management Procedures*. The Report is prepared by a person whom Council reasonably believes is qualified to address the prudential issues. This person must not have an interest in the relevant Project as defined in Section 48(6a) – 6(c) of the Act.

Prudential Reports are presented to Council. Council gives reasonable consideration to a Prudential Report submitted under Section 28(1) of the Act and does not delegate its responsibility to do so.

Once Council has made a decision on the relevant Major Project, the Prudential Report is made available for public inspection at the principal office of the Council. Council may take steps to prevent the disclosure of specific information in the Report in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than Council).

5. DEFINITIONS

Term	Definition
Due Diligence	In the context relative to a project refers to a functional review process comparative to the entire project life cycle to protect against incurring liability that may influence the overall success of the project.
Major Project	A Major Project is a project which meets one or more of the following criteria: <ul style="list-style-type: none">• The expected capital cost of the project over the ensuring five years is likely to exceed \$4 million (indexed); or• The expected expenditure of the project over the ensuring five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five years (as shown in Council's financial statements); or• The risk profile of the project is high or extreme, as determined by Council Staff under the Risk Management Framework.
Project	A project is defined under the Local Government Act 1999 as: <ul style="list-style-type: none">• any form of activity or enterprise;• the provision of facilities or services;• any form of scheme, work or undertaking.

<i>Term</i>	<i>Definition</i>
Prudential Report	<p>A Prudential Report is the formal report with specific due diligence and format requirements in accordance with Section 48(2) of the Act. This report must be obtained and considered by Council for Major Projects.</p> <p>S48(1) of the Local Government Act:</p> <p>(ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or</p> <p>(iii) where the council considers that it is necessary or appropriate.</p>

6. ROLES AND RESPONSIBILITIES

<i>Role</i>	<i>Responsibility</i>
<i>Chief Executive Officer</i>	<ul style="list-style-type: none"> Provide adequate resources for effective prudential management of projects
<i>Council Members</i>	<ul style="list-style-type: none"> Give reasonable consideration to reports addressing prudential issues under this policy
<i>Council Staff</i>	<ul style="list-style-type: none"> Prepare Prudential Reports for Major Projects that provide Council with all the information it requires to make informed decisions in the best interest of the community.

7. REFERENCES

City of Marion

- Prudential Management Procedures*
- Risk Management Policy and Framework*

Other

- Local Government Act 1999*

8. REVIEW AND EVALUATION

This Policy will be reviewed by Council every four years in accordance with the City of Marion Policy Framework or sooner if required.