

<b>Policy Reference Number:</b>	2.24
<b>Classification:</b>	Legislative
<b>First Issued/Approved:</b>	8 July 2014 (Res 14/2015)
<b>Review Frequency:</b>	After the general election – every 4 years
<b>Last Reviewed:</b>	9 December 2014 (Res 235/2015) 18 December 2018 (Res 247/2019)
<b>Next Review Date:</b>	December 2019
<b>Responsible Officer:</b>	Chief Executive Officer
<b>Applicable Legislation:</b>	<i>Local Government Act 1999</i>
<b>Relevant Policies:</b>	Risk Management Policy
<b>Related Procedures:</b>	
<b>Compliance Standard:</b>	Section 48 Local Government Act 1999

## 1. INTRODUCTION

This document sets out the policy of the District Council of Robe for prudential management of all its projects. This policy applies to all projects (as defined below) regardless of size.

## 2. PROJECT DEFINITION

A project may be 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". Regular, ongoing deliveries of Council services are not "new and discrete" activities so therefore are not included within this definition. 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 produce products or services.

Simply purchasing an item of plant or equipment, (e.g. a single vehicle) or a parcel of land will constitute a "project" if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council's Procurement Policy. However, a "project" will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land.

All projects should be considered in the context of not only this policy, but also Council's Risk Management Plan.

### 3. POLICY OBJECTIVES

This policy has two Objectives.

3.1 to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and

3.2 to ensure that each Council project is:

- managed during the project and
- evaluated after the project, to

achieve identified public benefits or needs; and to minimise financial risks.

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.

### 4 LEGISLATION

This Policy is made pursuant to section 48(aa1) of the [Local Government Act 1999](#) (“the Act”) which provides:

*A Council must 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; 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.*

As such, this Policy applies to all Council projects, no matter how large or small, to ensure compliance with this provision, and that decision-making in respect of any project is made with reliable, accurate and timely information.

### 5 DECIDING UPON AN APPROPRIATE LEVEL OF DUE DILIGENCE

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

The Chief Executive has delegated authority to exercise some (depending upon budgetary allocations and other Council policies) of the Council’s powers to approve projects. Therefore, for a particular project, the decision-maker may be the Chief Executive, or the Council.

When approval is being sought or considered for a specific 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 project; and
- what, if anything, is known about the levels of financial risk that may be involved.

#### 5.1 Two threshold questions

The decision-maker accordingly should 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 budget; 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, then no further action is necessary. However, in many cases, the decision-maker will not be sure of these answers, and will require a second step.

## 5.2 Due diligence report

To resolve any doubt, the decision-maker must request preparation of a **due diligence report** (DDR). See section 6 below.

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, most thorough type of DDR for the purposes of this Policy.

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".

If a full prudential report is not sought, the Council will record its reasons for *not* obtaining such a report. This might be satisfied simply by noting (if appropriate) that the proposed project has been assessed under 5.1 of this policy, or under a DDR as being of low or negligible financial risk.

## 6 DUE DILIGENCE BEFORE A DECISION ON WHETHER TO PROCEED

Depending upon 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 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 example, the decision-maker may request a DDR from a working party of Council officers, or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, banking, town planning etc.

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 cashflow 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.

## **7 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.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and
- financial risks identified in the DDR are managed appropriately.

## **8 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 DDR that it was intended to achieve or satisfy; and
- has avoided or mitigated the financial risks identified in the DDR.

## **9 FURTHER INFORMATION**

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: [www.robe.sa.gov.au](http://www.robe.sa.gov.au)

Royal Circus, Robe SA 5276

Copies will be provided to interested parties upon request. Email [council@robe.sa.gov.au](mailto:council@robe.sa.gov.au)

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

## **POLICY REVIEW**

This policy may be amended at any time and must be reviewed at least every four years since its adoption (or latest amendment).