THE BAROSSA COUNCIL
PRUDENTIAL MANAGEMENT POLICY

1.	**Purpose**

1.1 This Policy is to ensure Council acts with due care diligence and foresight; identifies and manages risks associated with a project; makes informed decisions; and is accountable for the use of Council and other public resources.

1.2 This policy has three Objectives:

1.2.1 To ensure that a Council Project is undertaken only after an appropriate level of Due Diligence is applied to a proposed Project.

1.2.2 To support contemporary project management processes; and

1.2.3 To ensure that relevant Council Projects are:

a) planned for prior to approval and implementation;
b) that identified risks are managed or accepted; and
c) monitored during implementation and evaluated after completion, to achieve identified public benefits or needs; and to minimise financial and Operational risks.

2.	**Scope**

2.1 The policy purpose is to ensure Council acts with due care diligence and foresight; identifies and manages risks associated with a project; makes informed decisions; and is accountable for the use of Council and other public resources.

3.	**Policy Statement**

3.1 The policy purpose is to ensure Council acts with due care diligence and foresight; identifies and manages risks associated with a project; makes informed decisions; and is accountable for the use of Council and other public resources.

3.2 Any proposed Project must first be assessed as to the level of Due Diligence that is required.

3.3 When approval is being sought or considered for a Project, information must be provided to the Decision Maker to indicate approximately, at first instance:

a) the specific benefits or needs to be addressed;

b) the extent to which it may be substantially similar to other past Projects;

c) a preliminary scoping of the proposed Project, the extent of investment and risks associated with the proposed Project and the level of DDR (Due Diligence Requirement) assessment required as determined by the decision matrix at Clause 3.5.3; and

d) what, if anything, is known about the levels of Financial Risk that may be involved.

3.4 The Decision Maker will evaluate the following information to determine 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:

a) Financial Risks (for example the impact of 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 or any other additional financial risks); and

b) Operational Risk (whether the proposed Project will (or might) expose Council to additional operational risks).

3.5 Level of Due Diligence:

3.5.1 The level of assessment of a project will be commensurate with the Financial and Organisational Risk and are outlined in the following Decision Matrix.

3.5.2 The development of a DDR and as informed by the Decision Maker may require the establishment of appropriate governance structures based on the risks associated with the proposal this could include stakeholders, Elected Members, technical experts, consultations.

3.5.3 The following is the Decision Matrix and the Financial Value in assessing the DDR requirement in this table is based on the 10 year whole-of-life assessment.

Level of Financial or Operational Risk	**Financial and Operational Risk**	**Due Diligence Assessment Level**
	FR value is less than $100,000 OR are reasonably known and fully managed	DDR1
	FR value is between $100,001 - $500,000 OR are reasonably known & significant component managed	DDR1 (Decision Maker to consider using a DDR2)
	FR value is between $500,001 - $1,000,000 New OR are introduced & moderate new treatments are required	DDR2
	FR value is between $1,000,001 - $2,500,000 New OR are introduced & significant new treatments are required	DDR2 (Decision Maker to consider using a DDR3)
	FR value is greater than $2,500,000 but less than the legislation triggers for prudential management report New high or extreme OR are introduced & significant new treatments are required	DDR3 (Decision Maker to consider using a DDR4)
	FR value is greater than the legislated trigger for prudential management report	DDR4

3.6 Nothing in this Policy precludes the Council or the Chief Executive Officer to apply a higher-level DDR assessment.

3.7 Due Diligence Monitoring:

3.7.1 After a decision has been made to commence a Project, it will be managed according to the principles of Due Diligence and the applicable project management methodology of Council.

3.7.2 The Council will take action to manage the Project so that:

a) the Project remains focussed upon the expected public benefits or needs that have been identified in the DDR;
b) Risks identified or discovered through the implementation are managed appropriately; and
c) any other parameters as identified in the DDR or Project specific Prudential Report are addressed where it is possible.

3.8 Due Diligence Evaluation:

3.8.2 The Council, Chief Executive Officer or the relevant Director will determine if an evaluation of the prudential outcomes shall be undertaken as part of any Project Management Review.

3.8.3 According to the principles of Due Diligence, the Project will be evaluated to assess whether it:

a) has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and
b) has avoided or mitigated the financial risks identified in the DDR; and
c) has been carried out in accordance with any other project management methodology from time to time adopted by Council; and
d) complies with any other parameters as identified in the DDR or Project specific Prudential Management Report.

4. Supporting Processes and Documents

4.1 Budgeting - Flowchart - New Initiatives 14/36063
4.2 Budgeting - Guidelines - New Initiative 14/36054
4.3 Budgeting - Flowchart - DDR1 - Due Diligence Report - Basic First Level – 15/214
4.4 Budgeting – Template - DDR1- Due Diligence Report - Basic First Level - 14/36060
4.5 Budgeting - Flowchart - DDR2 - Due Diligence Report - Project Feasibility Study 14/36076
4.6 Budgeting – Template - DDR2 – Due Diligence Report - Project Feasibility Study 14/36075

5. Related Policies

Budget & Business Plan and Review Policy
Risk Management Framework and Policy

6. Legislation and References

6.1. Section 44 and 48 Local Government Act 1999
6.2. Local Government Association of South Australia Information Paper 27 – Prudential Management December 2019

7.	Review

This Policy will be reviewed by the Council in consultation with the relevant stakeholders, within four (4) years or more frequently if legislation or Council's need changes.

8.	Further Information

8.1. This Policy is available on Council's website at www.barossa.sa.gov.au. It can also be viewed electronically at Council's principal office at 43-51 Tanunda Road, Nuriootpa and all Council branches, during ordinary business hours. A copy of this Policy can be obtained at those venues upon payment of a fixed fee.

8.2. Complaints regarding this Policy or its application can be made to the Customer Service team on 8563 8444 or barossa@barossa.sa.gov.au at first instance, who will refer you to the most appropriate officer according to Council's *Customer Service Policy* (see clause 8.1 above for availability).

9.	Document Control

<table>
<tr><td>Corporate Plan Link:</td><td></td><td colspan="4">BS13 - Strategic/Legislative Planning and Reporting
Provision of organisational performance report (outcomes), activity report (outputs), a range of statutory reporting (e.g. public health, tax, superannuation), financial reporting. Transparency and accountability regarding Council activity and expenditure provided.</td></tr>
<tr><td>Document Owner:</td><td colspan="3">Chief Executive Officer</td><td>Document Control Officer:</td><td>Chief Executive Officer</td></tr>
<tr><td>Consultation Rating:</td><td>N/a</td><td>Audience:</td><td>Internal & External</td><td>Next Review Date:</td><td>19/7/2026</td></tr>
<tr><td colspan="6">Version history</td></tr>
<tr><td>Version No.</td><td colspan="3">Date</td><td colspan="2">Description of Change</td></tr>
<tr><td>3.0</td><td colspan="3">19/7/2022</td><td colspan="2">Policy rewritten to simplify and bring into new template.</td></tr>
<tr><td>2.0</td><td colspan="3">15 May 2018</td><td colspan="2">Policy reviewed and aligned to the Annual Budget & Business Plan and Review Policy.</td></tr>
<tr><td>1.0</td><td colspan="3">15 July 2014</td><td colspan="2">New Policy</td></tr>
</table>

10.	Definitions

<table>
<tr><td>Budget Manager</td><td>An officer who has been delegated authority to expend Council's approved budget and is responsible for particular budget (or budgets).</td></tr>
<tr><td>Decision Maker</td><td>The Decision Maker shall be Council, Chief Executive Officer or the relevant Director or Budget Manager based on the delegated authority provided to officers and as stipulated in this Policy.</td></tr>
<tr><td>Due Diligence</td><td>Due Diligence is an expression used to describe the conduct of a systematic review of a transaction - prior to entering the transaction. At its core Due Diligence principles are:
• efficient and cost effective use of public funds;
• accountability, integrity and due process;
• compliance;
• benefits or needs; and
• financial and organisational risks.</td></tr>
</table>

Due Diligence Report (DDR)	Is one of four Project assessment level reports i.e. • DDR1 - Basic • DDR2 - Project Feasibility Study • DDR3 - Business Case • DDR4 - Prudential Management Report. The level of assessment is determined by the decision matrix at clause 4.6.3.
DDR1 - Basic	Is the first (basic) level of Due Diligence which utilises an established template. This template includes: a) an analysis of the need or demand in line with the Community and Corporate Plans; b) identification and quantification of the expected financial and other benefits; c) identification and quantification of the Business Case and likely Whole-of-Life financial and other costs, including staffing and project management costs; d) assessment of the associated Financial and Organisational risks, (including the Financial and Organisational risks of not proceeding or delaying the Project) and consideration of ways they can be managed and/or mitigated; e) assessment of a score must be prepared using the Bid Analysis Tool (BAT); f) an evaluation that weighs up all of the factors above.
DDR2 - Project Feasibility Study	Is the second level of Due Diligence which utilises an established Whole-of-Life template, project proposal and strategic context analysis and risk exposures as detailed in DDR1 above
DDR3 - Business Case	Is the third level of Due Diligence which utilises a contemporary business case methodologies guide template which may include the criteria encompassed in a DDR2 together with a greater analysis of Financial and Organisational Risk utilising tools such as sensitivity, market and or other relevant analysis and is usually undertaken by Council staff
DDR4 - Prudential Management Report	The fourth, and highest level of Due Diligence which utilises methodologies encompassed in a DDR3 and also a greater analysis of Financial and Organisational risks utilising tools such as sensitivity, market and or other relevant analysis and is undertaken independently of Council. There is no set template for a Prudential Management Report as each project is unique as will be the DDR4 for that project.
Financial Risk (FR)	Exposure of Council to financial risk such as under or over budgeting.
Organisational Risk (OR)	Includes, but is not limited to, work health and safety, public and product liability, r and is separate but may be linked to financial risk.
Project	A project (for the purposes of this Policy) may be defined as: *"a new initiative or undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset".* To assist in determining the scope of the definition above the following notes are provided for assistance but are not to be read as part of the definition. The definition should not be interpreted to mean that all Council activities are Projects. Regular, ongoing deliveries of Council services are not new 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 may 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 (but not including the process of land division or development by a third party), 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.
Whole-of-Life (Cost / Costing)	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.