

1. Purpose

The purpose of this Policy is to establish the District Council of Peterborough's approach to prudential management of projects and to ensure that projects are assessed, approved, implemented, monitored and evaluated with an appropriate level of due diligence.

The Policy is intended to support informed and accountable decision-making, protect Council's financial sustainability and ensure that public resources are used with due care, diligence and foresight.

2. Scope

This Policy applies to all Council projects, regardless of size, value or funding source, including projects undertaken directly by Council or through a subsidiary, joint venture, trust, partnership or other similar body.

The level of prudential assessment required will be proportionate to the nature, complexity, whole-of-life cost and financial risk of the project.

3. Definitions

Project: A new and discrete undertaking or activity involving expenditure of money, deployment of resources, incurring or assuming a liability, accepting an asset, providing facilities or services, or undertaking a scheme, work or enterprise. Routine and ongoing business-as-usual service delivery is not generally a project.

Due diligence: A systematic review undertaken before a transaction or commitment, involving the exercise of reasonable care.

Due Diligence Report (DDR): A documented assessment proportionate to the project's risk and complexity, prepared to support the decision-maker.

Prudential report: A formal report prepared and considered in accordance with section 48 of the Local Government Act 1999.

Whole-of-life cost: All costs associated with a project from inception through implementation, operation, maintenance, renewal and decommissioning, including financing, depreciation and staff or project management costs.

Financial risk: The potential for a project, or a decision not to proceed with a project, to adversely affect Council's financial position, capacity, sustainability or delivery of services.

4. Legislative Framework

This Policy is made pursuant to section 48 of the Local Government Act 1999. Council must develop and maintain prudential management policies, practices and procedures for the assessment of projects so that 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.

Where section 48 requires a formal prudential report, Council must obtain and give reasonable consideration to that report before engaging in the project. The requirement for Council to consider a section 48 report cannot be delegated.

5. Policy Objectives

Council will apply this Policy to ensure that:

- an appropriate level of due diligence is undertaken before a decision is made to proceed with a project;
- the public benefits or needs intended to be achieved by the project are clearly identified;
- whole-of-life costs and financial implications are understood and considered;
- financial and other material risks are identified, assessed and managed;
- projects remain aligned with Council's strategic plans, long-term financial planning and asset management planning;
- projects are appropriately monitored during delivery; and
- completed projects are evaluated against the benefits, costs and risks identified at approval.

6. Initial Project Assessment

Before a project is approved, the relevant decision-maker must determine the level of due diligence required. The decision-maker may be Council, the Chief Executive Officer or an officer acting under a valid delegation and within approved budget and policy parameters.

At a minimum, the initial assessment must identify:

- the purpose of the project and the specific community benefit or need to be addressed;
- whether the project is substantially similar to previous Council projects;
- the estimated whole-of-life cost, including staffing and project management costs;
- the proposed funding source and whether additional funding will be required;
- the likely effect on Council's Long Term Financial Plan, Annual Business Plan and Budget and relevant asset management plans;
- known financial, legal, operational, procurement, insurance, governance and reputational risks; and
- whether specialist advice, a feasibility study, a DDR or a formal section 48 prudential report is required.

7. Threshold Due Diligence Test

The decision-maker must first consider two threshold questions:

- Will, or might, the whole-of-life costs require allocations beyond those already accommodated in Council's Long Term Financial Plan?
- Will, or might, the project generate additional financial risk for Council?

If the decision-maker is satisfied that whole-of-life costs and financial risks are already adequately identified, funded and managed, the reasons for that conclusion must be documented in the approval record. If there is uncertainty, a DDR must be prepared at a level proportionate to the project.

8. Due Diligence Report

A DDR should address, as relevant to the scale and risk of the project:

- analysis of the need or demand for the project;
- expected financial and non-financial benefits;
- whole-of-life financial and other costs, including internal staff and project management costs;
- funding arrangements and impacts on Council's financial position and financial sustainability;
- financial risks, including risks arising from delay or from not proceeding;
- risk treatments and controls;
- procurement and delivery options;
- legal, regulatory, insurance and governance considerations;
- community and stakeholder consultation requirements;
- sensitivity analysis where estimates depend on uncertain assumptions, demand, escalation or market conditions; and

- an overall evaluation of the project options and the basis for the recommended approach.

For low-risk projects the DDR may be brief and incorporated into an officer report or approval record. More complex or financially significant projects must be supported by correspondingly greater analysis and may require input from multiple officers, external advisers or appropriately qualified specialists.

9. Section 48 Prudential Report

A formal prudential report must be obtained and considered where required by section 48(1) of the Local Government Act 1999, including where:

- the expected operating expenses of the project, calculated on an accrual basis over the ensuing five years, are likely to exceed 20% of Council's average annual operating expenses over the previous five financial years;
- the expected capital cost of the project over the ensuing five years is likely to exceed the statutory indexed threshold (stated in the August 2026 LGA guidance as \$4,000,000, subject to statutory indexation); or
- Council considers that a prudential report is otherwise necessary or appropriate.

The statutory exemptions applying to road construction or maintenance and drainage works do not prevent Council from requiring prudential assessment of those projects under this Policy or from obtaining a prudential report where Council considers it appropriate.

Where a full prudential report is not obtained for a project for which Council has considered whether one may be necessary or appropriate, the reasons for not obtaining the report must be recorded.

10. Content of a Formal Prudential Report

A formal prudential report must address the matters required by section 48(2), including:

- the relationship between the project and Council's relevant strategic management plans;
- relevant planning and development objectives applicable to the project area;
- the expected contribution to local economic development, impacts on nearby businesses and, where relevant, fair competition considerations;
- the level of community consultation, representations received and how the community may influence or contribute to the project or its outcomes;
- revenue projections and financial risks where the project is intended to produce revenue;
- recurrent and whole-of-life costs, including costs arising from proposed financial arrangements;
- the financial viability of the project and its short- and long-term estimated net effect on Council's financial position;
- project risks and measures to manage, reduce or eliminate those risks, including periodic reporting; and
- the most appropriate mechanisms or arrangements for carrying out the project.

11. Preparation and Independence of Prudential Reports

A formal prudential report must be prepared by a person whom Council reasonably believes is qualified to address the required prudential issues. The person must not have an interest in the project for the purposes of section 48.

Council will consider the qualifications, independence and skills required for the particular project, which may include finance, engineering, infrastructure, planning and project management expertise. Council's statutory external auditor must not be engaged to prepare the report where this would conflict with legislative independence requirements.

12. Council and Audit and Risk Committee Consideration

Council must give reasonable consideration to a formal section 48 prudential report and must not delegate that responsibility. Where required by legislation, the Audit and Risk Committee will review the report and may provide

advice to Council on assumptions, financial risk, whole-of-life costs, impacts on long-term planning and proposed project milestones.

13. Due Diligence During Project Delivery

Once a project is approved, it must be managed so that:

- the project remains focused on the approved public benefits or needs;
- financial and other material risks are monitored and managed;
- approved budgets, procurement requirements and delegations are observed;
- material changes in scope, cost, funding, timing, risk or expected benefits are reported to the appropriate decision-maker;
- appropriate financial and project performance reporting occurs; and
- any change that materially alters the original prudential assessment triggers reconsideration of the level of due diligence required.

14. Post-Project Evaluation

Following completion of a project, an evaluation proportionate to the scale and risk of the project should be undertaken to determine whether:

- the intended public benefits or needs were achieved;
- the project was delivered within approved financial and governance parameters;
- identified financial risks were avoided, mitigated or appropriately managed;
- whole-of-life assumptions remain appropriate; and
- lessons identified should inform future projects, policies, procedures or risk controls.

15. Projects Involving Free or Donated Assets

The absence of an acquisition price does not remove the need for prudential assessment. Before accepting a donated or transferred asset, Council must consider its condition, compliance with required standards, useful life, maintenance, renewal, insurance, operating and decommissioning costs and the effect of those costs on Council's long-term financial and asset management plans.

Where appropriate, Council should obtain independent evidence from a suitably qualified person that a donated built asset meets the required standard before acceptance.

16. Short-Notice Opportunities

Where Council is required to respond to a funding, partnership or project opportunity within a timeframe that does not permit completion of the full prudential assessment, a staged approach may be used. An initial assessment should be completed before an expression of interest or preliminary commitment, with the required detailed due diligence completed before Council enters into a binding commitment.

17. Records and Transparency

The basis for project approvals, the level of due diligence undertaken, material assumptions, risk assessments and reasons for decisions must be appropriately documented and retained in Council's records management system.

Subject to statutory requirements concerning confidentiality and the protection of commercial or personal financial information, a formal prudential report becomes a public document after Council has made a decision on the project, or earlier at Council's discretion.

18. Responsibilities

Role	Responsibility
Council	Adopts this Policy; considers formal prudential reports where required; and makes decisions reserved to Council.
Chief Executive Officer	Ensures appropriate prudential management practices and procedures are implemented and that projects are managed within Council decisions, delegations and approved resources.
Managers and Project Sponsors	Ensure projects are identified early, appropriately assessed, documented, monitored and evaluated in accordance with this Policy.
Manager Corporate Services & Finance	Provides financial analysis and advice on whole-of-life costs, funding, financial risks and impacts on Council's Long Term Financial Plan and financial sustainability.
Audit and Risk Committee	Performs its statutory review role in relation to section 48 reports and provides advice within its Terms of Reference.

Document administration and control

Policy title:	Prudential Management Policy
Policy number:	680417
Policy type:	Council Policy
Responsible officer:	Chief Executive Officer/Manager Corporate Services & Finance
Committee Review:	Nil
First issued / adopted:	07/2013
Review period:	Every four years
Last reviewed:	10/2026
Next review date:	By October 2030
Version:	Version 1
Related documents:	• Risk Management Framework • Procurement Policy • Internal Financial Controls • Long Term Financial Plan • Asset Management Plans • Annual Business Plan & Budget
Public consultation required / undertaken:	No – internal governance policy

Prudential Management Policy



Availability	This Policy is available for inspection at the Council office, and any person may obtain a copy of this Policy upon payment of the fee fixed by Council in accordance with Council's Fees and Charges adopted each financial year. It is also available on Council's website www.Peterborough.sa.gov.au. Any grievance in relation to this policy or its application should be forwarded in writing to the Chief Executive Officer of the Council.
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