



Financial Sustainability Program

Information Paper 7

**Service Delivery
Framework
Including the Role of
Shared Services**

August, 2006



Introduction

South Australian Councils manage \$10b of assets and provide annually \$1b of services. In doing so Councils work together in many different ways to deliver services to their communities. The models through which Councils cooperate in service delivery range from participation in structured legal entities (such as the Local Government Finance Authority, Local Super, the LGA Workers Compensation Scheme, the LGA Mutual Liability Scheme, the LGA Asset Mutual Fund, Local Government Corporate Services and a variety of subsidiaries which undertake common functions on behalf of various Councils) through to other formal and informal arrangements with other Councils other spheres of government and the private sector. It is estimated that collaboration occurring at the State level alone involves more than \$200m in annual expenditure with savings by Councils of more than \$20m a year.

The Independent Inquiry into the Financial Sustainability of Local Government concluded that there are many forms of cooperation/integration operating between Councils and challenged Councils to do more. Specifically the Inquiry report recommended:

“That, in canvassing alternative methods of delivery, councils consider further resource-sharing initiatives, especially involving the smaller councils, ranging from working together more effectively to more formalised regional groups, area integration and whole-of-sector initiatives.”

This paper examines the overall framework within which Councils deliver services and the delivery models they use with a particular focus on the role of shared service delivery and describes the range of shared service delivery.

The Local Government Act 1999 sets out the responsibilities of Councils to use their resources efficiently. The Act outlines arrangements for joint delivery of services with other Councils, governments etc. and the requirements when entering into commercial arrangements. Specific provisions regarding the establishment and operation of subsidiaries are also outlined in the Act.

This paper should be read in conjunction with the information papers on Financial Sustainability which highlight the increasing demands on Councils and the importance of efficiently managing the delivery of services. Information papers have been, or will soon be, prepared on the following topics:

- Financial Sustainability
- An Overview of Audit Mechanisms
- Audit Committees
- Scope of External Audits - Audit Specification
- Efficiency & Economy Audits
- Infrastructure and Asset Management (Policy and Planning)
- Service Delivery Framework including the Role of Shared Services
- Long-term Financial Plans
- Governance in Local Government
- Financial Governance and Management
- Revenue and Funding Policies
- A New Approach to Standards in Local Government

- A New Approach to State-Local Resourcing
- Depreciation
- Local Government Financial Indicators
- Debt Management
- An Approach to Assessing Financial Sustainability for Local Government

A number of manuals, guidelines, templates, technical definitions, codes, standards and similar documents supporting this series of information papers are also being prepared by the LGA to provide practical assistance to Councils.

For an update on which information papers have now been completed or information about other documents and activities, including briefing and training sessions, please visit our website at: www.lga.sa.gov.au/goto/fsp.

A Framework for Service Delivery

Councils have a range of responsibilities and accountabilities, in providing services to their communities, which cover:

- ensuring that community assets are looked after and maintained;
- ensuring that policy decisions of the elected body enhance community planning and facilitate growth and prosperity in the community;
- ensuring that management and staff implement policy decisions effectively and efficiently and with a sufficient level of autonomy; and,
- working with other spheres of government and agencies so that the community receives the appropriate level of services and funding to meet its needs.

In determining service provision choices and adopting a policy framework for service provision it is essential that Councils are clear about the “business of Local Government” and have a strategic management planning framework that supports the service provision choices they make. Key questions that should be asked include:

- Are the services being provided consistent with Council's vision, strategic and management plans including long-term asset and financial management plans?
- Is Council providing the right level of services to meet its community needs?
- Is Council advocating with other spheres of government for the provision of services, where appropriate?
- Is Council providing services in the best way it can – is there room for improvement?
- Should Council be providing services directly itself or be facilitating the provision of some services either in conjunction with others (resource sharing) or through a third party?
- Does Council have an employee relations environment that easily enables it to examine its service provision approaches, make changes to the way the services are provided or adopt new delivery methods?

Councils have a number of delivery models within which they may elect to provide services. These include:

"Own Right" Service Provision – Council exclusively uses its internal resources to provide services.

Contestability - assessing and comparing the efficiency and effectiveness of a current means of service provision by comparison with other providers (private and/or public).

Competitive Tendering - exposing the provision of Council services to competition through a formal tendering process irrespective of whether the service has been traditionally provided by Council employees or an external provider. The tendering process may involve "in house" staff teams tendering with external providers for specific projects, services and activities.

Contracting Out - contracting with an external organisation to provide a service for Council.

Collaborative Ventures - undertakings or projects which have been developed as a result of two or more parties (Councils, Governments, private sector, community groups) working together to achieve common business objectives. This is the model relied upon by the various Councils engaged in resource sharing activities (i.e. shared service delivery).

Subsidiaries - establishing, under the Local Government Act 1999, a separate incorporated body either in Council's own right or with other Councils to provide a service for the Council or constituent Councils.

The remainder of this paper focuses on collaborative arrangements that result in shared service delivery with another Council or entity.

What is Shared Service Delivery?

A shared service delivery situation occurs when a Council provides a service in collaboration with another Council or other entity. It involves Councils working together or with other organisations to do things more efficiently or effectively than they could do by themselves. Typically this could involve participation in:

- sector-wide service arrangements;
- regional service arrangements;
- professional or other interest-based forums;
- joint activities with another Council (or Councils);
- joint activities with the private sector;
- joint activities with other spheres of government.

A table setting out the range of shared service delivery models currently operating in South Australian Local Government is included as Attachment 1.

Communities ultimately reap the benefits of shared service arrangements by their Councils. These benefits accrue to ratepayers in a number of ways including:

- the achievement of greater economies of scale;
- access to a wider range of skills through sharing of skills and knowledge between Councils;
- access to a wider range of specialist services;
- reducing duplication of service delivery in a Council area or region;
- the creation of centres of Local Government service excellence;
- the sharing of risks with other entities;
- greater utilisation of capital and other assets;
- improved access to technology;
- strengthened relationships with other Councils and Local Government entities;
- strengthened relationships with other spheres of government;
- strengthened relationships with private sector entities.

The sharing of service provision between Councils is often a means of improving efficiency without the potential reduction in representation that might, for example, arise through the amalgamation of Councils.

What does the Act require?

The *Local Government Act 1999* contains a number of provisions which govern the manner in which Councils deliver services in collaboration with other entities.

Section 7 sets out the functions of Councils and includes (at (h)) establishing programs that benefit the people in the Council area or local government generally and (at (j)) managing, improving and developing resources available to the Council.

Section 8 (h) charges Councils with the responsibility to ensure that their resources are used fairly, effectively and efficiently. Additionally, Section 8 also charges Councils with responsibility to participate with other Councils (and State/national governments) in setting public policy and achieving regional (State and national) objectives (at (c)) and in co-ordinating with the State, the planning and delivery of services in which the State has an interest (at (e)). Recent amendments to the Act (Section 130A) set out the provisions associated with the conduct of efficiency and economy audits by Councils. For more information about these audits see the LGA's Financial Sustainability Information Paper 5: Efficiency & Economy Audits which is available from the LGA's web site at www.lga.sa.gov.au/goto/fsp

Under Section 36 Councils may enter into any kind of contract or arrangement and may act in conjunction with another Council, authority, or person. This section specifies the conditions which apply to such activities. Section 49 sets out the provisions governing Councils' contracting and tendering activities.

Councils may engage in commercial activities or enterprises and may establish a business or participate in a joint venture, trust, partnership or other similar body (Section 46). However, a Council must not participate in the formation of a company (with the exception of a company limited by guarantee established as a national association to promote and advance the interests of an industry in which Local Government has an interest) or acquire shares in a company (Section 47). Section 48 sets out the prudential requirements that govern Councils' participation in commercial activities.

Councils may establish both single Council and regional subsidiaries (Sections 42 and 43). In general subsidiaries may be established to:

- provide specified services;
- manage or administer property or facilities;
- carry out specific activities; or
- perform functions of the establishing Councils.

A single Council subsidiary may not perform the regulatory functions of the establishing Council whereas a regional subsidiary may perform the regulatory activities of the constituent Councils providing that it does not also perform a significant and related service activity. The establishment of a subsidiary does not detract from the powers of Councils to act in relation to the activities covered by subsidiaries.

Relevant provisions of the Local Government Act are included at Attachment 2.

What are the issues for Councils?

Participation by Councils in shared service delivery arrangements can lead to improved efficiency in their operations and assist Councils to achieve financial sustainability. Councils should examine all possible options available to them for cooperative service arrangements: from participation in sector wide arrangements established under the auspice of the LGA to informal or formal arrangements with neighbouring Councils, other governments and the private sector.

Participation in a joint service arrangement in no way diminishes an individual Council's responsibility to prudently and transparently manage its activities. When considering shared service arrangements Councils should clearly identify, for each opportunity:

- the services, functions or activities to be undertaken and the standard to which they will be provided;
- the form and content of any business plans and how Council will be involved in their preparation;
- how funds for the service provision will be made available to the provider;
- the limits on the provision of funds by the Council;
- how budgets will be approved and varied;
- how revenues will be applied;
- profit sharing and dividend arrangements;
- requirements for audit of the activity;
- the regularity and comprehensiveness of financial and performance reporting;
- ownership of any assets used in the service provision;
- issues relating to insurance and risk management: and
- how any residual liabilities will be met on the winding up of the arrangement.

The LGA is currently examining the ways in which Councils currently work together and opportunities for further cooperation.

Councils are encouraged to continually identify and pursue opportunities to achieve greater efficiencies in their operations through shared services and other arrangements.

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Attachment 1: South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
Statutory Model	Body created by its own legislation – e.g. the LGFA by the Local Government Finance Authority Act to manage the investment of Council funds in SA.	Accountability and transparency – subject to Parliamentary scrutiny and Auditor- General	May not be appropriate vehicle to provide a wide range of services. Limited by the need to amend the legislation and/or prescribe regulations to alter the framework in which it operates.
LGA Business Units Model	The LGA has established a number of separate business units managed by LGA Standing Committees eg. the Mutual Liability Scheme and Workers Compensation Scheme (involve State Government representation on the Standing Committees).	Schemes operate under specific sets of rules and complete publicly accessible annual reports	The need to have other government representation could be an issue unless the activity did not warrant it
LGA Corporate Model	The LGA has established, with the LGFA, a Trustee company – LGCS Pty Ltd (trading as eCouncils.com) to undertake commercial activities in the interests of Councils.	<ul style="list-style-type: none"> • This body operates in compliance with relevant companies legislation • This model has some attractions given its purchasing role • Able to provide a range of services to all Councils • Able to achieve economies of scale and potential savings • Able to engage professional expertise • Able to provide geographic focus (metro/regional) • Able to manage outsourced contract(s) 	Need to explore whether this model has capacity to provide broader range of services beyond its existing portfolio

South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
LGA Corporate Contractual Model	The LGA provides a range of services to benefit Councils via contracts with private sector organisations. This includes significant property and workers compensation insurance services with Jardine Lloyd Thompson. Other contracts currently in place cover industrial relations and legal services.	This model could be applied to other areas.	The issue of creating a structure which would not be seen as privatisation may need to be addressed.
Combined LGA Business Unit Model/Corporate Model	A combination of the above models	Could be applied to a number of activities	Need to be careful to separate the commercial and policy roles.
Subsidiary/Regional Subsidiary	A Council may establish a single subsidiary , <ul style="list-style-type: none"> • to provide a specified service or services; or • to manage or administer property, facilities or activities on behalf of the Council; or • to perform a function of the Council. 	<ul style="list-style-type: none"> • Able to operate as a corporatised organisation without same constraints as a Council business unit/department • Able to provide a range of services to Council • Able to achieve economies of scale and potential savings • Able to engage professional expertise • Able to provide geographic focus (metro/regional) • Able to manage outsourced contract(s) 	<ul style="list-style-type: none"> • Liabilities incurred or assumed by a subsidiary are guaranteed by the Council. • Must conform with the principles of competitive neutrality. • Subject to all of the constraints of the legislation e.g. mandatory business plans, reporting etc.

South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<p>Subsidiary/Regional Subsidiary (cont)</p>	<p>Two or more Councils (the constituent Councils) may establish a regional subsidiary:</p> <ul style="list-style-type: none"> • to provide a specified service or services or to carry out a specified activity or activities; or • to perform a function of the Councils under this or another Act. <p>If a regional subsidiary is established to perform a regulatory activity of the constituent Councils, the subsidiary cannot also perform a significant and related service activity.</p> <p>Current examples exist in waste management and environmental health services.</p>	<ul style="list-style-type: none"> • Able to operate as a corporatised organisation without same constraints as a Council business unit/department • Able to provide a range of services to Councils eg waste management • Able to achieve economies of scale and potential savings • Able to engage professional expertise • Able to provide geographic focus (metro/regional) • Able to manage outsourced contract(s) 	<ul style="list-style-type: none"> • Liabilities incurred or assumed by a subsidiary are guaranteed by the Council. • Must conform with the principles of competitive neutrality. • Subject to all of the constraints of the legislation e.g. mandatory business plans, reporting etc.
<p>LG Groups and Committees</p>	<p>Groups and committees formed under the auspice of LGA to share ideas and expertise and provide advice to the LGA State Executive.</p>	<ul style="list-style-type: none"> • Able to act on collective interests of LG as a whole • Able to develop "single voice" to other Governments • Able to engage the best knowledge and skills in the sector • Can be formalised or ad hoc depending on the issue 	<p>No guarantee of obtaining unanimous approach or commitment to issues</p>

South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
LG Professional Organisations	These are organisations which are created to pursue particular issues or provide a forum for categories of LG professions. Examples include the CEO's Association, Financial Management Group and SAIRA.	<ul style="list-style-type: none"> • Able to act on collective interests of LG as a whole • Able to develop "single voice" on particular issues • Able to engage the best knowledge and skills in sector 	No guarantee of obtaining unanimous approach or commitment to issues
Regional Association of Councils (ROCs) – better known as Regional LGAs. Many of these are established as Section 43 regional subsidiaries.	ROCs are 'partnerships' between groups of Local Government entities that agree to collaborate on matters of common interest. They are diverse in size, structure and mandate, but all satisfy the criteria that members: <ul style="list-style-type: none"> • join voluntarily • demonstrate their commitment in the form of financial and/or in kind contributions • have agreed to a constitution or some other formal set of objectives • recognise a range of common issues and interests • nominate representatives to the ROC's executive board. 	Resource sharing is an integral part of a ROC's operation <ul style="list-style-type: none"> • Collaboration and action at a regional scale • constituting a forum through which the experience, ideas and efforts of member Councils can be captured and cultivated. • Undertake research on a regional perspective • Undertake regional strategies integrating economic, social, environmental and cultural development • Provide advocacy, brokering & facilitating role 	<ul style="list-style-type: none"> • No guarantee of obtaining unanimous approach or commitment to issues • Not always achieve outcomes in an expeditious manner

South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
Council to Council	A Council providing service(s) to one or more Councils eg payroll, planning, HR, plant and equipment	<ul style="list-style-type: none"> • Able to achieve economies of scale and potential savings • Able to utilise professional expertise • Able to overcome skill shortage • Able to provide geographic focus (metro/regional) • Able to manage contract 	Need to be careful to separate the commercial and policy roles
Council to Council (reciprocation)	2 or more Councils forming "alliance" to share resources on a portfolio basis eg people, plant and equipment, IT, libraries Based on professional expertise of Councils eg 1 Council taking responsibility for libraries, another for IT etc	<ul style="list-style-type: none"> • Able to achieve economies of scale and potential savings • Able to utilise professional expertise • Able to overcome skill shortage • Able to provide geographic focus (metro/regional) • Able to manage contract 	Need to be careful to separate the commercial and policy roles
Lead Councils	A Council taking the lead and sharing knowledge and expertise with other Councils eg wetlands. The LG R&D Scheme may assist Councils that take a lead role in a project where the outcomes have widespread applicability across Local Government.	<ul style="list-style-type: none"> • Other Councils able to use/share expertise of other Councils • Not "reinventing the wheel" 	Other Councils not being recognised for their contribution/input/investment

South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
Private Sector Direct	Private sector organisation /company providing a service(s) direct to a Council/Councils eg remote accounting, IT, cleaning, consulting	<ul style="list-style-type: none"> • Able to achieve economies of scale and potential savings • Able to engage professional expertise • Able to overcome skills shortage • Able to provide geographic focus (metro/regional) • Able to manage outsourced contract(s) 	<ul style="list-style-type: none"> • The issue of creating a structure which would not be seen as privatisation may need to be addressed • Need to be careful to separate the commercial and policy roles • Need to have a clear and robust contractual framework
Private Sector Management	Private sector organisation /company managing a service(s) for a Council/Councils eg sports facility	<ul style="list-style-type: none"> • Able to achieve economies of scale and potential savings • Able to engage professional expertise • Able to overcome skill shortage • Able to provide geographic focus (metro/regional) • Able to manage outsourced contract(s) 	<p>Need to be careful to separate the commercial and policy roles.</p> <p>Need to have a clear and robust contractual framework.</p>

South Australian Local Government Joint Service Delivery Opportunities and Examples

MODEL	DESCRIPTION/ CHARACTERISTICS	ADVANTAGES	DISADVANTAGES
<p>State/Local Collaboration</p>	<p>For example PLAIN Central Services (PCS) provides centralised services to Public Libraries in South Australia Key roles include the following;</p> <ul style="list-style-type: none"> • Provision of the Information Technology infrastructure and network system • Provision of free access to the internet • Selection, cataloguing and delivery services for new materials • Contract negotiation and management for statewide purchasing • Accounting and reporting functions associated with acquisition of new materials • Statewide courier and delivery services • Facilitation of inter library loans • Provision of specialised materials <p>Formal agreement between the Minister of the Arts and the President of the Local Government Association</p>	<ul style="list-style-type: none"> • Provision of a range of services to all participating Councils • Economies of scale and potential savings • Ability to engage professional expertise • Ability to provide whole of State coverage • Ability to have contract managed by representative board 	<ul style="list-style-type: none"> • Involvement of other sphere of government may be problematic • Need to have clear operating charter • Need to ensure equitable outcomes for all stakeholders • May not be appropriate vehicle to provide a wide range of services

Attachment 2: Local Government Act Provisions Relevant to Shared Service Delivery

Section 7 provides that:

The functions of a council include—

- (a) to plan at the local and regional level for the development and future requirements of its area;
- (b) to provide services and facilities that benefit its area, its ratepayers and residents, and visitors to its area (including general public services or facilities (including electricity, gas and water services, and waste collection, control or disposal services or facilities), health, welfare or community services or facilities, and cultural or recreational services or facilities);
- (c) to provide for the welfare, well-being and interests of individuals and groups within its community;
- (d) to take measures to protect its area from natural and other hazards and to mitigate the effects of such hazards;
- (e) to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and to improve amenity;
- (f) to provide infrastructure for its community and for development within its area (including infrastructure that helps to protect any part of the local or broader community from any hazard or other event, or that assists in the management of any area);
- (g) to promote its area and to provide an attractive climate and locations for the development of business, commerce, industry and tourism;
- (h) to establish or support organisations or programs that benefit people in its area or local government generally;
- (i) to manage and, if appropriate, develop, public areas vested in, or occupied by, the council;
- (j) to manage, improve and develop resources available to the council;
- (k) to undertake other functions and activities conferred by or under an Act.

Section 8 provides that:

A council must, in the performance of its roles and functions—

- (a) provide open, responsive and accountable government;
- (b) be responsive to the needs, interests and aspirations of individuals and groups within its community;
- (c) participate with other councils, and with State and national governments, in setting public policy and achieving regional, State and national objectives;

- (d) give due weight, in all its plans, policies and activities, to regional, State and national objectives and strategies concerning the economic, social, physical and environmental development and management of the community;
- (e) seek to co-ordinate with State and national government in the planning and delivery of services in which those governments have an interest;
- (f) seek to facilitate sustainable development and the protection of the environment and to ensure a proper balance within its community between economic, social, environmental and cultural considerations;
- (g) manage its operations and affairs in a manner that emphasises the importance of service to the community;
- (h) seek to ensure that council resources are used fairly, effectively and efficiently;
- (i) seek to provide services, facilities and programs that are adequate and appropriate and seek to ensure equitable access to its services, facilities and programs.

Section 36 (1) (a) – (c) provides that:

- (1) A council—
 - (a) has the legal capacity of a natural person and, in particular—
 - (i) may enter into any kind of contract or arrangement; and
 - (ii) may sue and be sued; and
 - (iii) may act in conjunction with another council or authority, or a person; and
 - (b) has the other powers and capacities conferred by or under this or another Act; and
 - (c) has the power to do anything necessary, expedient or incidental to performing or discharging its functions or duties or to achieving its objectives.

Section 42 provides that:

- (1) A council may establish a subsidiary—
 - (a) to provide a specified service or services; or
 - (b) to manage or administer property, facilities or activities on behalf of the council; or
 - (c) to perform a function of the council under this or another Act.
- (2) A council cannot establish a subsidiary under this section if the primary purpose of the subsidiary would be to perform a regulatory activity of the council.
- (3) The establishment of a subsidiary under this section is subject to obtaining the approval of the Minister to the conferral of corporate status under this Act.

- (4) The establishment of a subsidiary does not derogate from the power of the council to act in a matter.

Note—

Schedule 2 contains other provisions relevant to a subsidiary established by a council under this section.

Section 43 provides that:

- (1) Two or more councils (the **constituent councils**) may establish a regional subsidiary—
- (a) to provide a specified service or services or to carry out a specified activity or activities; or
 - (b) to perform a function of the councils under this or another Act.
- (2) If a regional subsidiary is established to perform a regulatory activity of the constituent councils, the subsidiary cannot also perform a significant and related service activity.

Note—

A service activity is related to a regulatory activity if the service is one that is regulated under the regulatory activity.

- (3) The establishment of a regional subsidiary under this section is subject to obtaining the approval of the Minister to the conferral of corporate status under this Act.
- (4) The establishment of a regional subsidiary does not derogate from the power of a constituent council to act in a matter.

Note—

Schedule 2 contains other provisions relevant to a regional subsidiary established by two or more councils under this section.

Section 46 provides that:

- (1) A council may in the performance of its functions and subject to this Act engage in a commercial activity or enterprise (a **commercial project**).
- (2) A council may, in connection with a commercial project—
- (a) establish a business;
 - (b) participate in a joint venture, trust, partnership or other similar body.

Section 47 provides that:

- (1) A council must not—
- (a) participate in the formation of a company; or

- (b) acquire shares in a company.
- (2) However, subsection (1) does not—
 - (a) limit the investment of money under this Act; or
 - (b) limit the ability of a council to participate in the formation of, or to become a member of, a company limited by guarantee established as a national association to promote and advance the interests of an industry in which local government has an interest.

Section 48 provides that:

- (1) A council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
 - (a) engages in a commercial project (including through a subsidiary or participation in a joint venture, trust, partnership or other similar body) where the expected recurrent or capital expenditure of the project exceeds an amount set by the council for the purposes of this section; or
 - (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
 - (i) where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
 - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000.
- (2) The following are prudential issues for the purposes of subsection (1):
 - (a) the relationship between the project and relevant strategic management plans;
 - (b) the objectives of the Development Plan in the area where the project is to occur;
 - (c) 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;
 - (d) 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;
 - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
 - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;

- (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;
 - (h) 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 the council);
 - (i) the most appropriate mechanisms or arrangements for carrying out the project.
- (3) A report is not required under subsection (1) in relation to—
- (a) road construction or maintenance; or
 - (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

Section 49 provides that:

- (1) A council must prepare and adopt policies on contracts and tenders, including policies on the following:
- (a) the contracting out of services; and
 - (b) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
 - (c) the use of local goods and services; and
 - (d) the sale or disposal of land or other assets.
- (2) The policies must—
- (a) identify circumstances where the council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets; and
 - (b) provide a fair and transparent process for calling tenders and entering into contracts in those circumstances; and
 - (c) provide for the recording of reasons for entering into contracts other than those resulting from a tender process.

- (3) A council may at any time alter a policy under this section, or substitute a new policy or policies (but not so as to affect any process that has already commenced).
- (4) A person is entitled to inspect (without charge) a policy of a council under this section at the principal office of the council during ordinary office hours.
- (5) A person is entitled, on payment of a fee fixed by the council, to a copy of a policy under this section.